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A REVIEW OF FOREIGN FARM POLICY, PRODUCTION, AND TRADE

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# C O N T E N T S

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	Page
<b>WARTIME POLICIES AND CONTROLS</b>	
<b>AFFECTING AGRICULTURAL TRADE . . . . .</b>	<b>175</b>
Introduction . . . . .	175
Problems of production and governmental aid . . . .	177
Conservation of supply and satisfaction	
of consumer needs . . . . .	180
Control of imports and exports . . . . .	183
Obstruction of neutral trade by naval operations .	186
Control by international agreements . . . . .	187
Planning and coordination of controls	
affecting agriculture . . . . .	189
Summary of controls and their possible use	
after the war . . . . .	191
 <b>COTTON CONTROL IN THE UNITED KINGDOM . . . . .</b>	 <b>193</b>
Introduction . . . . .	193
Cotton control . . . . .	195
Coordinated control measures . . . . .	198
Other measures . . . . .	202
Total control . . . . .	203
 <b>GRAIN EXPORTS FROM THE SOVIET UNION . . . . .</b>	 <b>205</b>
Pre-World-War phase . . . . .	207
Post-World-War phase . . . . .	207
The cause of declining exports . . . . .	209
Composition and geographical distribution . . . . .	210
Outlook . . . . .	212

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## WARTIME POLICIES AND CONTROLS AFFECTING AGRICULTURAL TRADE

By Montell Ogdon\*

*Belligerent nations are making every effort to destroy the agricultural supply of the enemy. They are at the same time doing their utmost to counteract the effects of the war on their own sources of supply. They endeavor to increase their own domestic production and to maintain adequate reserve stocks for any emergency; in addition they regulate prices and apportion the limited supplies of essential commodities so that they will be of the most use. For the purpose of curtailing unnecessary imports and for obtaining essential raw materials, belligerent nations assert full control over imports and exports. They also negotiate international bilateral commodity agreements in order to assure so far as possible the future delivery of supplies at reasonable prices. After hostilities have ceased, certain national controls and international agreements may continue in force. At present there are reasons for believing that economic controls which now influence the direction of international trade may be among the tools with which after the war the victors will shape their own destinies, and, for better or worse, the destinies of the rest of the world.*

### INTRODUCTION

International trade has never been entirely free. In war and in peace, barriers to trade have always interfered, to a greater or less degree, with commerce between nations and peoples. In primitive societies these barriers took the form of highway robbery and piracy. These crude obstacles to trade gave way to import and export duties, tonnage and port charges, embargoes, sanitary controls, import quotas, and clearing agreements. During the last half of the nineteenth century and the early years of the twentieth, there was relatively greater freedom of trade, but during the period of military and economic warfare beginning in 1914, old trade barriers were raised still higher and many new restrictions on commerce were devised. After the Treaty of Versailles some of the specific wartime controls were lifted, but tariffs were generally raised.

During 1930-1939 there was an intensification of controls in many countries. These barriers appeared in the form of increased or discriminatory tariffs on imports, subsidization of exports, control over the expenditure of foreign exchange, and the fixing of commodity import quotas. In a period of falling commodity prices and fluctuating currencies - and failing to obtain security through international action - governments deemed it necessary to take unilateral action in order to protect their domestic agricultural producers, to protect their currency and credit systems, and to conserve foreign exchange for purchase of products that seemed most essential.

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The nationalistic systems of governmental controls, developed ostensibly for the purpose of protecting domestic economy, are now being used along with military and naval implements as weapons of economic warfare. Agricultural products, subjected to almost every conceivable type of control, are diverted from consumption in belligerent and neutral countries. Foodstuffs have become one of the most important of military objectives.

Available trade statistics and reports indicate that to date the interruption of agricultural trade in the present war is much more serious than it was in 1914-1915. The total value of domestic agricultural exports of the United States, for example, during July-December 1940 was less than half that for July-December 1939, having declined to the level of the post-Civil-War period.<sup>1</sup>

Though the full and ultimate effects upon American agriculture of the current world-wide economic conflict depend on the length and intensity of the war, it is already certain that the control systems instituted by governmental decree in the belligerent countries are going to be most important to both producers and consumers of agricultural products in every continent. The American farmer, after living through the fluctuations of demand for agricultural products during and following the war of 1914-1918, is perhaps more conscious than his fellow-citizen in commerce or industry that war may have an important effect on the individual's own prosperity and social well-being. The farmer is also well informed of the misery that accompanies the present war. However, because of his Government's agricultural adjustment program, he has not felt the full effects of this economic war.

It is believed that agriculture cannot be assured the fullest possible protection from the effects of the belligerent control measures unless it is known precisely what those measures are and how they operate. Therefore it is intended, in a series of studies, to attempt to segregate the various types of war measures and controls in order to facilitate the determination of their effects on agriculture. On the one hand there are measures intended to aid the economy of the country enacting the controls, which are detrimental to other countries. These will be singled out so that every effort may be made to counteract their adverse effects in the post-war period. On the other hand there are governmental measures which tend to mitigate the economic effects of war and other social disturbances. These will subsequently be analyzed in an endeavor to ascertain the ways in which they might be utilized in time of peace to promote more equitable distribution of raw materials.

The constructive wartime measures that governments take to meet the social and economic exigencies brought on by the war, as distinguished from the destructive weapons of economic warfare, may well furnish suggestions for dealing with consumer needs in time of peace. The purpose of this introductory article is to inquire into the function of belligerent controls and to indicate some of the resulting producer and consumer problems to which we must direct our attention if we may expect to succeed in the transformation of the wartime controls into constructive peacetime programs.

This cursory survey will note the nature and functioning of the following types of controls: (1) production aids and regulations; (2) conservation of supply; (3)

<sup>1</sup> *Foreign Crops and Markets*, Supplement, "United States Foreign Trade in Agricultural Products, July-December, 1940," pp. 203-206, Feb. 12, 1941.

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import and export control; (4) naval operations; and (5) international agreements. Finally reference will be made to some of the problems of coordinating governmental controls with national policy, and the possible use of controls in the post-war period.

#### PROBLEMS OF PRODUCTION AND GOVERNMENTAL AID

Land warfare has often been marked with more or less extensive interruption to the production of agricultural commodities. A nation's own defense forces occupy considerable amounts of agricultural lands for cantonments, drill fields, air fields, and practice ranges. There is, of course, direct interference with agricultural production by military operations in a war zone. Orchards, woodlands, cultivated fields, farm buildings, fences, and agricultural machinery may be destroyed by warfare or neglect. The loss to agriculture during the war of 1914-1918 was very great. In addition to the destruction of agricultural machinery and the productive properties of the soil, "cattle and stocks of material and crops were taken or destroyed."<sup>2</sup>

The 1940 farm output in continental Europe was definitely below normal. In addition to the unusually severe weather, the low output was due to "military mobilization of millions of peasants, shortage of draft animals on account of military needs, shortage of motor oils for farm tractors, transportation difficulties affecting shipment of fertilizers and other farm requirements, and military damage to crops in certain invaded areas. The shortage of imported feeds and feed concentrates, owing to the blockade, adversely affected the dairy output and the whole livestock industry."<sup>3</sup>

Because of the interference of war with agricultural production and imports, and because of increased wartime demand, special efforts are made by governments to increase the domestic production of the most essential agricultural products. Increased domestic production of agricultural products along with industrial products has been one of the principal objectives in the program of the National Socialist Government to make Germany as nearly self-sufficient as possible.<sup>4</sup> The 4-year agricultural plan inaugurated in 1936 was renewed in 1940 for another 4-year period, and continuous efforts have been made during the war to intensify agricultural production in Germany and in the territories occupied by Germany.

The National Socialist campaign has been directed particularly toward increased production of grains, feedstuffs, deciduous fruits, garden vegetables, edible fats, and textile raw materials. Domestic agriculture and industry are called upon to help meet wartime deficits by the production of substitutes. Germany's wartime deficiencies in a number of agricultural products have been met, in part at least, in this way. Agriculture may also be called upon to produce added amounts of such products as oil seeds, potatoes, and sugar beets to meet the deficiency in such essential industrial raw materials as fuel and lubricants. Thus with the imposition of sanctions upon Italy during the Italian-Ethiopian War in 1935-1936, the cultivation of sugar beets was pushed by the Italian Government in order to obtain alcohol as a substitute for

<sup>2</sup> Bogart, E. L., *Direct and Indirect Costs of the Great World War*, p. 286, New York, 1920.

<sup>3</sup> "Review of Food and Feed Situation in Continental Europe, 1940-1941," *Foreign Crops and Markets*, pp. 500-501, Oct. 7, 1940.

<sup>4</sup> Steere, Loyd V., "German Agriculture in the Four-Year Plan," *Foreign Agriculture*, pp. 103-118, March 1937.



gasoline. "A four-year plan was adopted to secure the production of 1.2 million hectoliters of alcohol to mix with imported gasoline on the basis of 20 % alcohol and 80 % gasoline."<sup>5</sup>

### Agricultural Labor

Plans for the better utilization of available labor for agricultural production have been formulated and are being carried out in each of the principal belligerent countries. These efforts include regulations to permit a longer working day;<sup>6</sup> the training of inexperienced persons and the use of women and children for farm work; the release of men from military duty during harvesting or planting seasons; the allotment of detachments of soldiers or other organized units for farm work; the use of prisoners of war in the fields; importation of farm labor from occupied territories or other foreign countries; and finally, regulations making farm labor compulsory for certain age or class groups.

In September 1940 it was reported that there were about 1 million war prisoners and 1.1 million civilian aliens employed in German agriculture and industry. Of the civilian foreign workers it was estimated that about half were employed in agriculture. In addition to the Polish, Belgian, French, and English prisoners, and civilians from Poland, Slovakia, and Italy, agricultural labor was supplemented by workers from the Women's Work Service, Hitler Youth, and other National Socialist Party organizations.

### Land Use and Aids to Cultivation

Governmental control of land use in order to increase production of essential commodities has become general in the countries at war. Farmers may be compensated for plowing up their meadows and putting them into cultivation; licenses may be required for production of less essential commodities; subsidies or bounties may be paid for production of the more essential commodities, or the fixed price to the producer may be raised. The government may go so far as to make a national survey of all farms and specify the type and amount of crops which shall be grown by each community and each farmer. A farmer in England or Germany who cultivates his land poorly may have it taken out of his hands.

Under the National Defense Act the British Ministry of Agriculture was also given authority to take possession of uncultivated land for use as garden plots, and a campaign was undertaken in the fall of 1939 to increase the number of garden plots in England and Wales by 500,000 or more. The Minister of Agriculture expressed the hope that the additional plots would provide potatoes and vegetables to feed a million adults and a million and a half children for 8 months of the year.

The program initiated before the war for the consolidation of small holdings in Germany<sup>7</sup> was extended to the mountain sections of Austria after the beginning of

<sup>5</sup> Bacon, L. B., and Schloemer, F. C., *World Trade in Agricultural Products, Its Growth; Its Crisis; and the New Trade Policies*, p. 834, International Institute of Agriculture, Rome, 1940.

<sup>6</sup> The legal working hours per week were increased in France from 40 to 60 by a decree of Sept. 1, 1939.

<sup>7</sup> Richter, J. H., "Consolidation of Scattered Farm Holdings in Germany," *Foreign Agriculture*, pp. 235-242, May 1938.



the war. Small farms have been incorporated into larger units more suitable for modern agricultural machinery, and land that formerly belonged to non-Aryans or nonagricultural interests is being reapportioned. In France a regulation placed the burden of cultivating land inside army and evacuated zones upon certain governmental services, including the military authorities.

A serious effort is being made in each country to obtain the maximum benefits from the application of fertilizers. Methods used include government surveys of fertilizer requirements, rationing of certain types of fertilizers, and advice on the use of substitutes. In order to expand agricultural production to the maximum levels obtainable by the scientific application of fertilizers, German farmers are required upon request to submit samples of their soil to official soil analysts. Some 70 government experiment stations were given the task of making these tests, which it was hoped, by the use of photoelectric cells and spectrum analyses, could be carried out for the whole of Germany.

Local production advisory committees were established in France to assist the farmer in utilizing his facilities to best advantage; arrangements were made to assure the availability of seed for planting; import duties on agricultural machinery were reduced and the import quotas enlarged, and an office for the mechanization of agriculture was established in the Ministry of Agriculture in order to maintain production in the face of depleted ranks of agricultural workers.<sup>8</sup> In both France and England the government purchased large numbers of farm tractors.

#### Assurance of Market and Reasonable Price to Producer

Action has been taken in the United Kingdom and the British Dominions to assure a definite market and reasonable prices to producers of many different agricultural commodities. The purpose of the guarantees is similar to that of the ever-normal-granary program in the United States. Both the Australian and Canadian wheat schemes provide for a guaranteed price to producers and an excise tax on flour to finance the program. In Australia there is a guaranteed price of 3 shillings per bushel for wheat delivered at ports, but growers are required to register and they may plant only the acreage authorized by the government.<sup>9</sup>

The Dominion Government in Canada undertook to provide Canadian apple growers with assistance which would enable them to maintain their industry at a time when the normal export markets were disturbed and the grower had no assurance of a market for the greater part of his crop. The Government established selling agencies which accepted the 1939 and 1940 apple crops up to certain quantities. The growers were then paid prescribed prices for their crops, according to variety, grade, and size, whether the apples were left on the trees, processed, or sold.

This assurance to agricultural producers is being extended in some countries beyond the period of the war. The Government in the United Kingdom, for example, announced in November 1940 that it would guarantee that the system of fixed prices and

<sup>8</sup> For comprehensive articles on production programs and other phases of wartime control in the United Kingdom and France, see Franklin, Harry L., "British Food Control," *Foreign Agriculture*, pp. 545-578, December 1939, and Hazen, William, "French Wartime Control of Agriculture," *Foreign Agriculture*, pp. 31-62, January 1940.

<sup>9</sup> For the 1941 wheat program outlined by the Canadian Government see *Foreign Crops and Markets*, pp. 355-356, March 24, 1941.

an assured market for agricultural producers would be maintained during the war and for at least 1 year thereafter. It was also stated that the prices would be adjusted to the extent of any substantial changes in the cost of production.<sup>10</sup>

### CONSERVATION OF SUPPLY AND SATISFACTION OF CONSUMER NEEDS

During the war of 1914-1918 no preliminary arrangements for storage of food-stuffs were made; much speculation and waste was allowed; prices to consumers became prohibitive, and dissatisfaction with food administration was widespread among civilians in many countries. The shortages or danger of shortages in essential agricultural products that occurred in all the major belligerent countries from 1916 to 1918 is responsible for the more thorough and earlier preparation in the present war to conserve supplies and at the same time satisfy essential consumer needs.

Every effort is now being made by belligerent nations to conserve supplies for war purposes and for the essential needs of the civilian population. Campaigns undertaken to promote the maintenance of good nutrition and the saving of food have been launched by the governments and carried on through public meetings, distribution of leaflets, and radio instruction on the preparation of substitute foods. "A daily waste of one-half ounce of bread per person," said the British Minister of Food, "means an annual loss of thirty shiploads of wheat." The government in each of the belligerent countries has developed definite policies and taken appropriate action with respect to control of stocks, distribution to consumers, and prices of agricultural commodities.

### Regulation of Stocks and Processing

Measures to conserve essential foodstuffs and raw materials were planned and instituted some time before the beginning of the present war. An important step prior to the regulation of stocks is the collection of statistical data about the existing stocks of various products and manufactures, the normal production and consumption of these products, and the limits of producing capacity. Stocks of commodities needed for military purposes, such as wool, flax, hides, and grains, are next subjected to complete governmental control. This always includes governmental priority to purchase, and may mean outright requisition of the nation's entire domestic output. Each belligerent country, by the acquisition of domestic output and imports, has built up government reserves of essential commodities in which there might be a deficit. The private purchase or disposal of essential agricultural commodities is carefully controlled and may be prohibited except under license.

In order to divert raw materials to war uses, governments have extended their control over stocks to the regulation of processing. This includes prohibition of manufacture except under license, power to restrict or expand the production of factories, to requisition their output, and to regulate the distribution to consumers. In the case of wheat and flour, for example, the control may include regulation of both milling and bread baking. Factories may be permitted to use only the quantities allotted to them, and may be required to mix domestic products with the imported materials.

<sup>10</sup> Hudd, Frederic, Chief Canadian Trade Commissioner in the United Kingdom, "Economic Conditions in the United Kingdom," *Commercial Intelligence Journal*, p. 148, Feb. 8, 1941.



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Arrangements are also made in wartime to extract a higher percentage of flour from the wheat milled. With consideration for the nutritive value of flour, the Ministry of Food in the United Kingdom has made arrangements with millers and bakers for production of whole wheat flour and bread of 85 percent extraction. Plans are proceeding for the reenforcement of white flour with thiamin chloride equivalent to the amount of vitamin B<sub>1</sub> in whole wheat flour, and also for the addition of calcium. Government control of some commodities may go so far as to prohibit both processing and sale for civilian use.

### Rationing of Goods to Consumers

As the economic war is intensified the apportionment of supplies for military and civilian population needs becomes a major and perhaps a deciding factor in the outcome. Restriction of consumption of goods by the civilian population is effected by taxation, limitations on the expansion of income, loans to the government to curtail purchasing power, control over stocks and processing, and by rationing.

The people of Europe have been subjected to rationing and price-fixing control systems under which the government determines the relative military, industrial, and civilian consumer needs of the country and distributes food accordingly. The civilian populations were placed under such a system when dangerous shortages of essential raw materials became imminent in the war of 1914-1918. The people of Russia have lived under such a system during most of the period since the revolution of 1917. The German people were placed under a price-control system by the National Socialist Government, and in order to procure materials for manufacture of implements of war, German imports of food and other consumer goods were curtailed. Laws authorizing the executive departments of the governments to ration the distribution of food and to control prices were enacted before or upon the beginning of the present war in each of the belligerent countries.

There are definite reasons for placing the civilian population upon rations; namely, to make most effective use of the available supply and to make the sacrifices more equitable. Regulations are therefore prescribed in order to spread out the available supplies among all classes of the population, to conserve supplies for later civilian use in case of emergency, to make supplies available for necessary military use, and to release productive capacity for the production of commodities and articles for export.

The rationing systems vary in details but are fundamentally alike in their operation. In the first place, in each country only licensed dealers are permitted to make retail sales. The dealer is required to keep a record of stocks and sales, and may be given the responsibility of keeping a customer's list and selling not more than a specified quantity of a commodity to each customer. When strict rationing of a commodity is undertaken, sales are prohibited except upon presentation of an individual ration card by the purchaser. The rations are usually fixed on a weekly or monthly basis, and must therefore be planned some time in advance. Needs of the various groups of the population, problems of storage, transportation, administrative procedure, and of droughts and freezing weather must be taken into consideration in the planning of rationing.



### Attention to Nutritive Requirements

Existing health and nutrition problems, effects of changes in diet, living conditions, and occupation are now receiving attention in the fixing of rations. If plans have not been made before war begins, hurried surveys are made to determine the quantity and types of food available and the nutritional needs of individuals within respective groups.

The governments of Germany and the United Kingdom are giving much consideration in their rationing programs to the nutritive requirements of different groups. Rations in Germany are apportioned according to age, sex, and type of work done; margarine is enriched with vitamin A, and vitamin B<sub>1</sub> is given to school children. In the United Kingdom cheap or free milk is made available to mothers and children, community feeding centers are established for industrial workers, and emergency feeding stations are set up for bomb refugees as the occasion demands. In Belgium the distribution of food has been placed under the supervision of the Director General of Public Health.

### Price Fixing

Prices of certain basic commodities, in time of peace or in time of war, are fixed in the totalitarian countries. Remunerative prices or subsidies are paid to encourage production, but strict control over distributors' profits is intended to prevent prices from getting out of reach. At the beginning of the present war the governments in the allied countries also asserted control over their respective domestic price structures. They endeavored by legislation and administrative decree to fix the prices of essential agricultural commodities at their pre-war levels. The object of this action was to prevent uncontrolled inflation, to keep down the cost of financing the war, to prevent profiteering by some persons at the expense of others, and to assure supplies of necessary foodstuffs and clothing, for that portion of the population which would be in want if prices rose excessively.

In order to maintain the supply of essential commodities to consumers, the British Government has declared its intention to keep down the prices so far as possible and to make special provision for those members of the community most affected by the rise in prices. Some rise in consumer prices has been allowed to take place in the United Kingdom because of the necessity of raising the price to producers of certain essential commodities in order to increase domestic production. Increased war-risk insurance rates and transportation rates have also increased the cost of certain imported products in the United Kingdom and the British Dominions, all of which are dependent on overseas supplies.

In order, however, to carry out its object of keeping the prices within the buying power of the people, the British Government has spent considerable sums to make up the difference between the cost and the fixed retail price of necessary foodstuffs.<sup>11</sup> Price regulation of domestic transactions may be applicable to imported commodities, and may directly affect the price of American exports. Price ceilings or limitations on daily fluctuations were fixed in the United Kingdom, for example, on domestically

<sup>11</sup> Richter, J. H., "War-time Price Control in the United Kingdom," *Journal of Farm Economics*, vol. XXII, pp. 680-690, November 1940.

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produced and imported agricultural products sold in the markets prior to the closing of the commodity exchanges. Fixed margins for various types of products are now added to a base price, and have the effect of regulating the selling price of commodities in the United Kingdom for the various stages at which sales are made. By regulating the price of American types of cotton yarn, for example, it has been possible for the British Government to keep down the cost of materials that go into the cloth and at the same time to render material assistance to exporters.

### CONTROL OF IMPORTS AND EXPORTS

In each belligerent country a regime for the administration of all imports and exports has been authorized, permitting governmental control comparable to the authority exercised in Germany before the war. The Import, Export, and Customs Powers Act enacted in the United Kingdom September 1, 1939, authorized the Board of Trade to make such provisions as the Board deemed expedient for prohibiting or regulating the importation into or exportation from the United Kingdom of goods of any description. In France, Belgium, Denmark, the Netherlands, the United Kingdom, the British Dominions, and the British Colonies, systems of licensing and prohibition were established which covered both import and export trade.

During 1939-1940 state control over foreign trade was extended in Italy by the creation of state-controlled companies to carry on the country's import and export trade, which had formerly been carried on by private companies under governmental regulations. Two companies were organized to carry on the import and export trade in hides and skins; three coffee-importing companies were created to carry on the coffee import trade; two companies were organized to carry on the import and export trade in poultry and eggs; and a state organization was created to handle cotton imports.

### Conservation of Foreign Exchange

A shortage of foreign exchange with which to buy supplies frequently develops in the belligerent countries because of the increased need of imports and the difficulty of maintaining exports. The need of supplies for the mobilization and mechanization of the armed forces has tended to stimulate imports greatly, whereas there has been no similar stimulation of exports. The treasuries of the respective belligerents therefore assert complete control over all international currency movements and foreign exchange operations within their jurisdiction. Transfer of payments to and from enemy countries is immediately stopped. Credits and property belonging to the enemy government or enemy nationals may be seized, and credits belonging to the allies of the enemy may be frozen. The private exportation of gold is completely forbidden, and exportation of currency is limited to very small amounts. Since the exchange must be conserved for purchase of supplies deemed essential by the government, no foreign exchange credits are allowed to be used for the purchase of imports unless a permit is granted by the treasury or the foreign exchange control office.

### Import Prohibitions and Regulations

In the United Kingdom, the Dominions, and the British colonies a policy is maintained of excluding imports from sources outside the Empire if the goods are obtainable within the Empire or if they are deemed nonessential. Permits are required



for all imports in order to exclude articles classified as luxuries or nonessential, to keep the prices steady, and to regulate distribution and use. Permits, for example, are not ordinarily issued in the United Kingdom for fresh fruits, nuts, most fresh vegetables, and most canned vegetables, because they have been declared to be luxury articles.

British colonies and the Dominions also subject imports from "non-sterling countries" to restrictions or prohibitions not imposed upon imports from within the "sterling area."<sup>12</sup> Several important agricultural products and products manufactured from agricultural raw materials are included in the lists. The Straits Settlements and the Federated Malay States, for example, limit the importation of various types of seeds and textiles and prohibit the purchase of important oil, cotton, and woolen products from "non-sterling countries."

Australia restricts or prohibits the importation of some 400 categories of articles, including many agricultural commodities, from "non-sterling countries." Thus, under regulations effective since December 1, 1939, licenses are not granted for the importation from "non-sterling countries" of beverages, manufactured tobacco, fruits, vegetables, and other food products, woolen goods, or specified cotton textiles, unless the Australian authorities are satisfied that special reasons exist. These restrictions, extended periodically since December 1, 1939, have been officially explained as designed to conserve foreign exchange for war needs. This is obviously true, since there has been a rather large increase in shipments of aircraft and parts to Australia from the United States, but the regulations are in fact only an extension of the exchange control system operative in Australia since 1936, which was imposed with a view to the stimulation of Empire trade and domestic manufacturing.

Quotas are granted and duties are reduced or suspended for the importation of essential products when a domestic shortage develops. In France, for example, during the months of February to May, 1940, import duties on the following items were suspended: hogs and pork, flaxseed for planting, mutton and beef, potatoes, and certain species of livestock for breeding purposes. Import prohibitions and exchange restrictions are likewise lifted with respect to those items of which importation is deemed necessary.

### Export Regulations

The control of exports in belligerent countries is designed to prevent aid from reaching the enemy, to prevent the exportation of articles needed for military purposes, to aid the exportation of goods in order to obtain foreign exchange for purchase of necessary imports, and to protect the long-time foreign trade position of the country. Trading with the enemy is normally prohibited by a belligerent country in the interest of national defense. All private transportation or communication by its nationals with the enemy country was thus prohibited by each belligerent immediately upon the declaration of hostilities in the present war. As soon as German occupation of the Netherlands, Belgium, Luxemburg, Rumania, and Bulgaria took place, Great

<sup>12</sup> The "sterling area" includes all countries and territories within the British Empire except Canada, Newfoundland and Hong Kong. It also includes British and Dominion Mandates, British Protectorates, Egypt, the Anglo-Egyptian Sudan, Iraq, Iceland, the Faroe Islands, the Belgian Congo, the Belgian Mandated territories of Ruanda-Urundi, French Equatorial Africa, the French Cameroons, French Oceania, and French establishments in India.



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Britain and her allies as a matter of course defined those countries as "proscribed territories" under their trading with the enemy regulations. Commercial relations of British subjects with persons of enemy character anywhere in the world, or with persons who might indirectly aid the enemy, are also prohibited.

In order to prevent goods from reaching the enemy, belligerent states also exercise strict control over their exports to neutral countries. Thus it was stipulated in regulations effective February 15, 1940, that no goods should be exported from the Union of South Africa or South-West Africa to any country in Europe other than the United Kingdom, Ireland, Sweden, France, Portugal, and Turkey, without an export permit properly executed. Upon the entrance of Italy into the war a prohibition order was issued in the United Kingdom to prohibit exports of all goods, except under license from the Board of Trade, to Bulgaria, Greece, Hungary, Liechtenstein, Rumania, Switzerland, and Yugoslavia.

For the purpose of retaining in the country goods needed for defense, the belligerent export prohibitions list certain specific commodities that may not be exported at all, or only under license. The French Government thus prohibited the exportation from France of cattle, hides and skins, animal fats and oils, grains, sugar, cotton, flax, hemp, feedstuffs, rubber, and lumber, unless accompanied by a special permit from the Ministry of Commerce.<sup>13</sup> Agricultural articles that may not be exported from Canada without a permit issued by or on behalf of the Minister of National Revenue include cotton linters, flax and cloth containing flax, manila fiber, rubber, raw silk, and waste silk.

A quota system governing the exportation of foodstuffs was established in Malaya in order to conserve products which are needed during the war. Another wartime burden on international trade is the special war export duty levied for revenue purposes by the Netherlands Indies and certain other colonies and countries upon many of their principal exports, including rubber.

### Export Aids

In belligerent countries government boards and corporations facilitate exports by the performance of advisory functions, aiding in the manufacture, transportation, and sale of commodities and by general participation in the export trade. Countries which promoted and handled their exports through governmental offices before the outbreak of hostilities have continued those methods, and the other belligerent nations have adopted similar practices. Ministerial councils exist in all the major belligerent countries to expedite exports of manufactured products and surplus staple commodities.

A governmental Commercial Corporation, financed by the British Treasury, operates in the United Kingdom. Though it was created ostensibly for the purpose of competing with German traders, its functions have been extended to the acquisition of markets outside the present German trade area. The British Cotton Board, established in pursuance of the Cotton Industry Act of 1940, was organized to increase the exports of cotton manufactures. This Board in turn organized the "British Overseas

<sup>13</sup> Hazen, N. W., "French Wartime Control of Agriculture," *Foreign Agriculture*, p. 34, January 1940.

Cottons, Limited" for the promotion of trade in markets where individual firms or organizations could not contend with the problems involved. Government levies totaling 10 pence per 100 pounds have been imposed on raw cotton to produce revenue for the use of these agencies in the promotion of cotton export sales. One function that is being performed by the British Corporation is the storing of British goods abroad in anticipation of sale in the country where they are stored.

#### OBSTRUCTION OF NEUTRAL TRADE BY NAVAL OPERATIONS

During 1914-1918 naval warfare was extended in such a manner as to destroy commerce in foodstuffs and other supplies essential to the civilian population as well as to the military forces. It became the policy of the German Government to carry on an unrestricted submarine warfare which resulted in the sinking upon sight of merchant vessels bound for the enemy, whether the vessels were neutral or belligerent. A similar practice engaged in by both air forces and naval craft is being followed in the present war.

Other invasions on commerce by belligerents during 1914-1918 that are allegedly being repeated in the present war include the placing of mines in neutral territorial waters and the high seas and the seizure of foodstuffs and nonmilitary supplies consigned for the use of the civilian population in the opposing belligerent country, or in a nonbelligerent country bordering upon the opponent's territory.

#### "Navicert System"

To supplement its contraband control, the Government of the United Kingdom in the autumn of 1939 reinstituted a certification system, under which vessels destined for European countries bordering on Germany were not allowed to proceed past Gibraltar or certain other contraband control stations unless they possessed properly executed permits called "navicerts," approved by British consular officials at the neutral port of departure. American vessels destined to neutral countries and loaded with general cargoes and agricultural commodities including cotton, meat products, and tobacco, were detained at Gibraltar for periods varying from 9 to 18 days. Their papers and cargoes were examined, and in some cases the cargo was removed. At present no vessel or cargo may expect to reach any port on the Continent of Europe unless it satisfies the requirements of British contraband control officials.

#### Behind the Blockade

The occupation of Western and Central Europe by Germany and the entry of Italy in the war stopped most British trade with the Continent of Europe. At the same time, all nations on the Continent except Russia, Spain, and Portugal were virtually cut off from sources of foodstuffs and other supplies in the Western Hemisphere. These neutral, occupied, nonbelligerent, and belligerent nations were all left no alternative except that of adjusting their foreign trade and their agricultural production to the conditions within a continent of which nearly every port was cut off by naval operations from overseas trade. It would appear, therefore, that the aerial, submarine, and other naval practices that obstruct and destroy the overseas commerce of Europe constitute a trade barrier which, if it lasts for long, may considerably influence the nature and direction of European trade.



## CONTROL BY INTERNATIONAL AGREEMENTS

Defense of the nation and the exigencies of modern warfare tend to develop closer economic relations between nations united against a common enemy. The present war proves, if proof were necessary, that autarchy in the present stage of industrial development is a myth which does not exist in practice, even in the totalitarian countries. Both Germany and the United Kingdom must import food and other raw materials. This fact necessitates international agreements to cover the terms of their respective purchases. The belligerent nations are anxious to obtain assurance of future deliveries of the goods as needed, and the selling nations are anxious to obtain assurance that the goods will be taken. This situation has resulted in international commodity agreements which specify future quotas of delivery and the price to be paid. The wartime transportation of goods, whether by land or sea, has also called for international cooperation.

### International Purchasing Agreements

It is now the ordinary procedure for government purchasing commissions to negotiate international agreements for the purchase of the entire export surplus of commodities produced within a foreign country. Oftentimes the agreement may be termed a "preclusive purchase"; that is, a purchase for the purpose of precluding the enemy from acquiring the goods. British and German purchases of oranges from Spain, and British purchases from Turkey of tobacco, cotton, fresh and dried fruit, wheat, and timber, would fall in this category. Most international purchase agreements, however, are concluded by the belligerent nations for the purpose of obtaining an adequate supply of essential raw materials, often, also, with the view to aiding the economy of the country that produces the materials. Thus the wartime agreements of the United Kingdom with the respective members of the British Commonwealth of Nations provide for such purchases as the following: the wool clips of the Union of South Africa, New Zealand, and Australia; and the sugar crops of Australia, the Union of South Africa, Mauritius, Fiji, and the British West Indian Colonies. Among important German agreements are those providing for the purchase of cotton from Russia, soybeans from Japan, and many types of agricultural products from the Balkan countries.

The International Wheat Executive, set up by an agreement of November 29, 1916, illustrates the wartime use that has been made of international purchasing agencies. The Executive was composed of "a triumvirate of representatives of France, Great Britain, and Italy, vested with the widest powers and staffed and organized like a great commercial house. It was this body that carried out, until August 1919, all purchases of cereals for the Allies, distributed the quantities purchased according to their recognized needs, arranged for freight by means of the shipping that the Allies placed at its disposal, and settled payments. At the same time, in order to secure the Wheat Executive's monopoly, imports by the trade were prohibited."<sup>14</sup> This international cereal organization was, according to Sir William H. Beveridge, formerly Permanent Secretary to the British Ministry of Food, based on the principle of world-wide supply and international distribution and unity of control from the producing market to the final destination.<sup>15</sup>

<sup>14</sup> Pinot, Pierre, "Food Supply," *Agriculture and Food Supply in France During the War*, p. 190, New Haven, 1927.

<sup>15</sup> *British Food Control*, p. 88, London, 1928.



## Control of Ocean Shipping

To the countries in the World War and the present war dependent on overseas supplies of food, international cooperation with respect to control of ocean shipping is a matter of primary importance. During the World War the Allies set up the Allied Maritime Transport Council for the determination of policy and the Allied Maritime Transport Executive for administrative purposes. Under this system of shipping control a maximum amount of shipping was made available for the transport of food and other essential supplies. The effectiveness of the Allied Maritime Executive in the allotment of transport on the basis of relative importance of supplies was an important factor in counteracting the destruction of commerce by the German submarine campaign.<sup>16</sup> The problems in the present war have also brought about state control over shipping, and international cooperation in the allotment of ships and shipping space.<sup>17</sup>

## Diversion of Trade Through Clearing Agreements

Control over international trade is effected by Germany and the United Kingdom through the conclusion of clearing and payments agreements with other countries. These agreements are used to divert trade destined for the territory of the contracting belligerent, and for territories within the same clearing area as the belligerent, by prohibiting the use of credits for making purchases elsewhere. Thus the agreements of the United Kingdom and the British Dominions have tended to keep trade within the British Empire and to encourage non-belligerent states who make such agreements with members of the British Empire to make their purchases within the Empire.

Arrangements linking the currency of nonbelligerent states to that of the pound sterling have been made by the United Kingdom with respect to currency and exchange. By control over the value of its own monetary unit the United Kingdom is able to facilitate trade with the nonbelligerent state with which it has concluded a so-called stabilization agreement, at the same time making trade more difficult between the nonbelligerent and German-dominated areas, and among the nonbelligerents.

By military action, supplemented by wartime loans, purchases, and clearing agreements, Germany has taken steps toward the development of economic and commercial hegemony over much of continental Europe. The agreements between Germany and the states in Central and Southeastern Europe provide for German financial and scientific assistance in the development of transportation and agricultural production and for a German market for commodities in which German economy is deficient. Some clearing and commercial agreements between Germany and the northern states of Europe contain cartel arrangements for the apportionment of sales, and also international marketing quotas for each of the producing states. Occupied countries and some other European states have made agreements that provide for clearance of their payments through the Clearing Institute in Berlin. Thus the United Kingdom and Germany are both enlarging the respective clearing areas within which they have special trade advantages.

<sup>16</sup> Salter, J. A., *Allied Shipping Control, An Experiment in International Administration*, Oxford, 1921; Fayle, C. Ernest, *The War and the Shipping Industry*, London, 1927.

<sup>17</sup> Perry, Hobart S., *Impact of the Present War on Ocean Shipping with Special Reference to the Effects of War Shipping Conditions on United States Agriculture*, U. S. Dept. Agr., November 1940; *Wartime Control of Ocean Freight Rates in Foreign Trade*, U. S. Dept. Com., Bureau of Foreign and Domestic Commerce, 1940.

## PLANNING AND COORDINATION OF CONTROLS AFFECTING AGRICULTURE

In order to utilize the national economy to best advantage in the war effort, governments have been forced to coordinate their respective controls and to mobilize the national productive capacity. This coordination in a belligerent country is, of course, stimulated by the fact that the nation is involved in total war, which includes economic as well as military warfare. The immediate object of the government becomes the adaptation of the nation's economic system to meet the war needs of the nation. "Nothing will be allowed to stand in the way of the achievement of the war purpose," said the Chairman of the British Committee on Economic Policy, Mr. Arthur Greenwood. "Our object is a Britain completely mobilized economically in the public service devoted to national needs and regardless of selfish interests."<sup>18</sup> The social value of controls depends on their coordination with the purpose of the national policy. A clarification of national purpose and the coordination of controls with that purpose is therefore essential in time of war - and, if controls are retained, equally essential in time of peace.

The domestic problems arising with respect to controls over agricultural production and distribution in wartime may be classified as administrative and economic. The administrative problem is important because the successful prosecution of the war is dependent on its solution and because an administrative organization capable of supplying the military and civil needs of a country at war cannot be built up overnight. From the history of the World War the lesson may be learned that much hardship and confusion resulted in the respective belligerent countries because of the lack of economic preparedness and coordination.

## Planning of Controls

As in former wars, prohibition against trading with the enemy and contraband lists were promulgated by the belligerents in 1914. Some other important governmental controls affecting agricultural products, however, such as rationing, price-fixing, centralized purchasing, and control over imports and exports, were not put into operation in the respective countries until the war had progressed from two to four years.

With this lack of preparedness in the war of 1914-1918 may be contrasted the preparation and planning in this war for governmental control affecting agriculture. The authority over German agriculture was established six years before the beginning of the war. Switzerland, the Netherlands, and England began programs for the protection of the wartime food supply a year or more before the beginning of the war. France, on the other hand, had instituted some controls with respect to importation and the price of certain products, particularly wheat, but these were not made in the anticipation of wartime needs and did not serve to meet the situation that arose with the declaration of the war. The administration of economic controls over supplies on a comprehensive scale was not set up in France until April 3, 1940, under absolute necessity.

One reason for the grave problems with respect to administration is the diversity in character and large number of required administrative agencies. Control that has been set up over imports and exports may be administered in part by the regular

<sup>18</sup> *Parliamentary Debates*, House of Commons, August 7, 1940.



governmental agencies, but may also require special trading companies and other agencies to handle the wartime type of trade. In France, for example, 91 trading companies were organized by the government to supervise purchasing, handle the receipt of, and distribute the products domestically. The administrative organization and procedure is necessarily complicated and often entails individual hardship upon importers, producers, consumers, and distributors. In some instances the maze of administrative regulations becomes so complicated that it is impossible to operate, and the only way to obtain a permit is through special and arbitrary action of local officials.

Hardships are reflected in agriculture if the governmental system of controls is not carefully planned and executed. When the government places limitations on the importation and distribution of fertilizers and agricultural machinery, and when it takes agricultural labor from the farms for military and industrial purposes, there is inevitably a reduction in the efficiency of agricultural production. After a few years of production to meet military demands, the farmer becomes handicapped by the exhaustion of his soil and the deterioration of his buildings and machinery.

When the cost of agricultural labor and the prices of producers' goods are not held down to the same level as that of agricultural products, the government is faced with the task of increasing its subsidization of production or of increasing the fixed price of agricultural commodities. In several belligerent and occupied countries, prices or subsidies were increased in order to encourage farmers to grow larger quantities of products in the seasons of 1940 and 1941.

#### Coordination of Controls

It becomes very difficult in time of war to coordinate all of the economic processes brought under governmental control. The curtailment of civilian consumption and the regulation of industry involve real problems of economic coordination that may restrict the absorption of agricultural commodities. The adjustment of agricultural production to meet the military need reduces the production of commodities needed by civilians. The governments, which endeavor to control domestic production, imports, exports, and domestic consumption, have been forced to decide what portions of the productive capacity will be devoted respectively to the military supply, to the civilian supply, and to exports. Shall farm machinists be used on the farms to produce food or in the plants to produce implements of war? Shall labor be used for the production of goods for domestic consumption or for exports?

The Economic Policy Committee, announced by Mr. Greenwood in the House of Commons on August 7, 1940, was formed within the British Cabinet to deal with the broader aspects of national economic policies. This committee was faced with the problem of how to effect and coordinate the complete economic mobilization of the United Kingdom in the war effort. In order to meet the situation, the committee decided upon certain far-reaching economic policies, including the limitation of sales of unessential consumption goods in the home market, with the object of releasing productive capacity for munitions work and for the export trade. The committee even went so far as to decide in favor of the maintenance of the British export trade in those cases where there might be some clash with the needs of the munitions industry.

In Germany and France also the importance of economic problems brought about the establishment of central economic committees to coordinate the production and



distribution functions of a nonmilitary nature in the effort to achieve the greatest degree of military and economic strength. In Germany there is a Ministerial Council for Defense, headed by Field Marshall Göring, which was established at the beginning of the war. In January 1940 announcement was made of the formation of a General Council of War Economy, headed by Göring, for the coordination and control of the various branches of the nation's economy, on which the Ministry of Food and Agriculture was represented.

Because of the problems created by the conduct of economic warfare, an Inter-Ministerial Economic Committee was established in France by a decree of March 31, 1940. Provision for the centralization of the administration of economic controls was then made by a Decree of April 3, 1940, because of the necessity of ensuring delivery of supplies for both the civilian population and the army. The Ministry of Supplies, in which the power was coordinated, was made responsible for (1) keeping constantly informed as to the quantity, condition, and movement of supplies; (2) fixing prices for the purchase and sale of all kinds of agricultural products necessary for the armed forces; and (3) maintaining the supply of foodstuffs and other essential agricultural products of the civilian population and the army.

#### SUMMARY OF CONTROLS AND THEIR POSSIBLE USE AFTER THE WAR

The belligerent countries continue their pre-war drives toward self-sufficiency by stimulating the domestic production and curtailing the domestic consumption of commodities formerly imported. Governments have been given full authority to control the domestic production, processing, and marketing of agricultural commodities. They may determine what the farmer shall grow and how much he shall receive for it; what the consumer shall be allowed to purchase and how much he shall pay for it. They control the quantity, type and, as far as possible, the price of goods that are imported, and also the production of goods for export. In return for these controls, the domestic producer is given governmental assurance of a market and a guaranteed price for his produce.

International trade is being promoted by Germany within the continental bloc of states under her military and economic influence, and by England within the Empire and the "sterling area." Machinery for the regulation of supply, price, and use is operative internationally within each bloc. The domestic and international controls taken together produce important economic effects upon the nonbelligerent states. They are of such a nature that they can also be utilized in the post-war period to determine the economic welfare of other states, either to promote foreign trade on a stable basis or to stifle consumption, production, and distribution.

If the government economic policies being pursued by the belligerents - to the disruption of trade of neutral states - are continued by those nations after hostilities have ceased, they may be expected to produce the same stifling effect on our own agricultural commerce and domestic economy that autarchic and bilateral trade policies produced in the years 1930-1939. It would appear now that post-war problems might be such that there would be pressure for the continuation of restrictive trade policies. Some post-war problems whose solution the belligerent governments will face are the restoration of agricultural lands and equipment; the satisfaction of the nutritive needs of the population; the protection of domestic producers

from the dumping of military or other surplus stocks; the conservation of foreign exchange for the purchase of the most essential imports; and the restoration of the export trade.

Unless aid is given, the military destruction of agricultural capital goods must necessarily have a disastrous effect upon large numbers of farmers in belligerent countries. As after the war of 1914-1918, and as now is the case in France and Finland, there will be urgent need for aid to agriculture immediately following the termination of hostilities. Because of the need for government aid and because of the firm entrenchment of agricultural subsidy systems, pressure for continuance of present aids and also for additional aids would not seem unlikely. Government aids to agriculture, therefore, and along with them a degree of control over production, might be expected to persist unless governments are unable to finance the cost of reconstruction.

Europe may be in need of food during the remainder of the war and for some time thereafter, but with reconstruction the picture may be expected to change. As a result of advancement in scientific agriculture and the adaptation of production to meet regional needs, it is possible that after reconstruction has been accomplished Europe will be more nearly self-sufficient than before the war.

The degree of exhaustion of buying power may be expected to determine somewhat the post-war type of controls over imports and domestic use. Europe may be very much in need of dairy and poultry produce, meats, fruits, and clothing. An exhausted population cannot hope to meet the cost of war and reconstruction and at the same time maintain an optimum standard of living unless there is outside aid and careful government regulation of distribution. It may be expected, therefore, that the governments of Europe will endeavor to retain control over prices, distribution, and the supply of agricultural products.

The United States may be permitted to help with relief and to aid in the reconstruction of Europe's productive capacity, but the donation of quantities of commodities for relief and the restoration of production would not insure the orderly development of international trade. The problems of adjusting production to effective demand will again require attention. Restoration of production may call for concerted international action, rather than nationalistic independent action, in order to prevent a recurrence of cutthroat competition in production and the dumping of surpluses at prices below the cost of production.

If national import restrictions are used in an effort to protect certain producers without regard to domestic consumers' interests, exports as well as imports may be blocked. On the other hand, restoration of international commerce may be approached as an international producer-consumer problem. In that case existing national control of stocks and surpluses might be coordinated to prevent a drop in prices that would ruin producers; the system of governmental assurance of absorption of certain quotas of imports might be retained and extended; and at the same time the wartime machinery for ascertaining and satisfying consumer needs could be used to raise the standards of living and to increase consumption of raw materials.

## COTTON CONTROL IN THE UNITED KINGDOM . . . . .

By J. H. Richter\*

*For many months after the outbreak of war the cotton industry and trade in the United Kingdom remained one of the least controlled sections of the British economy. Wartime conditions and exigencies, however, have finally led to stringent measures of curtailment, control, and reorganization. The controls recently culminated in a monopolization by the British Government of all raw cotton imports, the resultant closing of the spot and futures markets at Liverpool, and a compulsory curtailment and concentration of production in the most efficient plants of the industry. Although these measures are a direct outgrowth of the wartime emergency, they have been shaped with a view to the more basic and long-term problems of the industry, and perhaps even with a view to prospective post-war conditions.*

*This article presents a simple factual account of the history of the controls since the outbreak of war in 1939. A second article, in a later issue of Foreign Agriculture, will interpret the measures taken in terms of the long-recognized need for a basic reorganization of the Lancashire cotton industry.*

### INTRODUCTION

In the first year of war mill consumption of raw cotton in the United Kingdom was on a high level, considerably above that of the previous season. Imports, on balance, even exceeded current mill consumption, particularly in the early part of the first war year. As a result stocks of raw cotton were being increased. High mill activity continued well into the second war year, and the earnings of the Lancashire industry in 1939-1940 rose far above the pre-war depression levels. Unemployment declined rapidly and even gave way to a pronounced scarcity of skilled and juvenile labor. Conditions were doubtless favorable, as far as these important current indices go. Yet this very situation was indicative of an essentially temporary condition. In a prolonged war, at this stage of economic and social organization, there can be no prosperity in the consumer-goods industries of the European countries at war.

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That the cotton industry in the United Kingdom up to the end of 1940 fared rather well was due to a number of factors. On a high and temporarily rising production for export and for domestic civilian consumption was superimposed a steady and growing volume of government orders. When in April 1940 the first mild attempt was made to curtail the sale of cotton goods to retailers supplying domestic civilian needs, the reduction was comparatively slight. Purchases by wholesalers were not being interfered with, nor was there any limit placed on the accumulation of stocks of yarns and piece goods by manufacturers, wholesalers, or exporters. Consequently, mill production continued high and experienced a renewed upsurge at about the middle of 1940, when, after the invasion of the Low Countries and because of the loss of equipment by the British Expeditionary Force and substantial additional needs, all mills were asked to speed up production and to work overtime so that government orders and essential home requirements could be adequately filled. Mill activity continued high into September 1940, and thereafter receded gradually. Sales of cotton goods to domestic retailers were further - this time sharply - curtailed as from October 1, 1940. At the same time export sales, in view of the increased shipping difficulties, continued to decline, though military and civil defense orders were maintained on a high level.

Meanwhile, Britain's basic wartime problems - war production and shipping - rapidly came to a head. Every ton of shipping space had to be saved for vital war supplies, for necessary foods, and for such amounts of raw materials for the manufacture of domestic and export products as are indispensable, in a broad sense, to the war effort. Raw cotton imports, since the downfall of France, have been substantially curtailed, and available stocks have been drawn upon. Cotton mill labor, and perhaps even factory space, will now be needed for more essential war work. Industrial production, in every part of the economy, must be made as efficient and productive as possible. Only drastic and inclusive measures can now deal with the situation.

In February 1941 the Government in the United Kingdom resolved to become the sole importer of raw cotton, and shortly thereafter it was decided that production of cotton goods should be greatly curtailed and concentrated in the most efficient mills. Lancashire's cotton mill output, in preparation for these measures, was reduced to about half of "normal" production (or 60 percent of the level in the early months of the 1940-41 season), and even further curtailment may be expected in the future. The industry must suddenly be adapted to a greatly reduced scale of operations, and there is little prospect of expansion so long as the war lasts.

In view of the conditions prevailing up to the middle of 1940, it is hardly surprising that mill consumption of raw cotton in the first year of war was high, and that it was well maintained even in the first half of the current season. Forwardings to spinners in Great Britain in 1939-40 amounted to fully 3.2 million running bales, compared to about 2.65 million in both 1938-39 and 1937-38. In the first half of 1940-41 forwardings were still as high as 1.25 million bales, as compared with about 1.5 million in the first half of 1939-40. United Kingdom imports of raw cotton in the first year of war were increased even more than was mill consumption. An unprecedented depletion of raw cotton stocks had occurred during the 1938-39 season, and replenishment was urgently required. Therefore importers, for several months after the outbreak of war, were left a free hand to make use of existing shipping facilities before the imposition of unavoidable restriction.

This situation, occurring at a seasonal period when American cotton always enjoyed its greatest movement, placed the American staple in a favorable position in total United Kingdom imports. Shipments under the British-American cotton-rubber exchange deal of June 1940 strengthened this preference. It may be estimated that in the period of heaviest movement - September-March 1939-40 - Britain's net imports of about 1.6 million bales of American cotton exceeded even the increased mill consumption by as much as 800,000 bales, which were added to stocks. The peak of the wartime activity in the cotton industry was reached. Import supplies diminished thereafter, and stocks were being gradually drawn upon. During September-March 1940-41 Britain's net imports of American cotton reached hardly one-fourth of their level in the same period last season. Thus they fell short of current mill consumption by from 100,000 to 200,000 bales. As in 1917, a point has now been reached at which general war developments and requirements make a drastic reduction in cotton imports and mill operations imperative.

### COTTON CONTROL

On August 4, 1939, the Royal Assent was given to the Cotton Industry (Reorganization) Act of 1939, to become effective on November 4, 1939. After years of planning and experimenting this legislation was to provide a basic framework to authorize and enable the cotton industry to set up schemes for its own government and reorganization.<sup>1</sup> However, since the situation of the industry which the Reorganization Act was designed to meet was entirely different from its situation in wartime, the operation of the Act was suspended by the Board of Trade on the basis of legislation passed in October 1939.<sup>2</sup> On the other hand, some of the powers granted under the suspended Act were to be assimilated by a wartime Cotton Board set up on September 17, 1939.

Under an independent chairman, the Board was constituted of representatives of the employers' and operatives' organizations, and subcommittees were appointed to deal with (1) raw cotton supplies, (2) production and government orders, (3) export trade, and (4) accessory commodities essential to the industry. Some of the functions that the Cotton Board was to perform consisted of the supervision of trade and mill operations under the Priority of Works Order, 1939, dated September 3, 1939, and issued by the Minister of Supply under the Defence Regulations 1939. According to this decree any Government department, when notified by the Minister of Supply that a particular order is a priority order, may issue a certificate to assure that the execution of this order shall take precedence over other contracts.

The Government, however, was slow in vesting the Cotton Board with the powers it sought in order to safeguard vital interests of the public and the industry. At the end of October 1939 the Cotton Board submitted a memorandum to the President of the Board of Trade asking for powers to fix maximum as well as minimum prices for yarns and fabrics, and to institute some inclusive system of priorities within the industry

<sup>1</sup> For a discussion and evaluation of trade policy and relief measures in favor of the British cotton industry, including the Cotton Industry (Reorganization) Bill, see the article by Dr. A. W. Palmer in *Foreign Agriculture*, vol. III, pp. 141-154, April 1939.

<sup>2</sup> Cotton Industry (Reorganization) (Postponement) Act, empowering the Board of Trade to fix the date of operation of the original Act by order, or to appoint different dates for the coming into operation of the various provisions of the original Act. Similarly, the powers of the Cotton Spindles Board to continue purchasing redundant spindles were made to lapse and all plans to eliminate redundant looms were dropped.



for allotment of raw cotton, as well as of semimanufactures, among government, export, and home trade orders. Rather than granting such powers to a body representing industrial interests, and for which advisory functions had been contemplated, the Government on November 10, 1939, appointed an independent Cotton Controller to deal with such matters as priorities, prices, and regular returns on production and stocks.

Fixed spinner margins for single cotton yarn were established from January 4, 1940, considerably reducing previous price-spreads, which since the outbreak of war had risen substantially.<sup>3</sup> Similarly, specific priority powers were granted from February 19, 1940,<sup>4</sup> establishing the authority of the Minister of Supply to require that the production and delivery of cotton goods under any contract shall be given preference over the production and delivery under other contracts. Actual preference directions of this sort were subsequently issued in great numbers by the Cotton Controller, on behalf of the Minister of Supply. First priority has been given to government contracts and contracts for essential home uses, while contracts for exports ranked second in preference over all other orders; namely, nonessential home trade. Government contractors and exporters usually applied direct to the Cotton Controller for the necessary preference directions to their suppliers, under which finishers, manufacturers, and spinners had to give due priority to the production and delivery of such essential supplies.

Soon, however, it was found that such limited regulation to assure priority for government and export orders was not sufficient to cope with the problem. The only compulsion exercised by the preference directions was that producers who held or would receive and accept government or export orders had to attend to such orders in advance of others, and it had not been prescribed that new orders for the government or for export must be taken. This deficiency was partially made good by an Order of April 16, 1940, limiting sales of cotton goods for domestic civilian consumption. Indirect pressure was thereby exerted on the industry to accept new government and export business, since without such additional business the industry could not hope to maintain a satisfactory level of operations.

The Order of April 16, 1940, effective the same day, was issued by the Board of Trade, and prescribed that textile wholesalers and those textile manufacturers selling directly to the retail trade must during April 16 to September 30, 1940, limit their sales to domestic retailers of cotton, rayon, and linen piece goods, taken together, to 75 percent of the quantities thus sold in the 6 months ended September 30, 1939.<sup>5</sup> Within this restriction there was an overriding curtailment in the case of linen,

<sup>3</sup> Control of the Cotton Industry (No. 2 and No. 3) Orders, January 1940. Later, control of the Cotton Industry (No. 5) Order, of April 12, 1940, brought an upward revision of spinner margins for controlled American- and Egyptian-type cotton yarns in order to cover such cost increases as resulted from higher wages, higher prices of accessories, and a spinner contribution under the Cotton Industry Act of 1940. The fixation of spinner margins fixed the price of yarn in that the margins were to be based on the quotations in government-specified futures months on the date of the contract of sale of the yarns. Later, with the temporary suspension of futures trading and gradual regimentation of the futures market, American and Egyptian yarn prices were calculated by basing the fixed margins on "Cotton Control official valuations" representing the maximum spot prices for middling fair staple American and fully good fair Giza 7 and Upper descriptions. (Control of the Cotton Industry (No. 9, No. 12, and No. 17) Orders.) Yarn prices were fully fixed from April 1, 1941. For control of raw cotton prices see pp. 200-202.

<sup>4</sup> Control of the Cotton Industry (No. 4) Order, of February 9, 1940.

<sup>5</sup> Piece Goods and Made-up Goods (Cotton, Rayon, and Linen) Order.



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considered separately, to 25 percent. Since the reductions, based on a 6 months' period of 1939, applied to a 5½ months' period in 1940, the sales for domestic civilian consumption were actually reduced to only about 82 and 27 percent, respectively, of the pre-war standard, rather than to 75 and 25 percent.

The avowed purpose of these measures was to curtail home market supplies of the indicated textile goods "in order that labor, plant, and raw materials formerly used to satisfy domestic demand may be turned over to produce goods for the fulfillment of government orders or for the export trade." To support the Board of Trade Order of April 16, 1940, the Minister of Supply, on the same day, issued the Control of the Cotton Industry (No. 6) Order,<sup>6</sup> prohibiting for 1 month from April 17 the acceptance by spinners of new yarn contracts, except for government requirements and export trade.

The reductions decreed by this legislation were extremely conservative, and the need for more drastic curtailment in unessential consumption was keenly felt by those concerned with general economic and shipping policies. It was argued that in time of war the consumer can use fewer articles of common but not essential consumption, can make them last longer than usual, or can even do without many of them. The labor and machinery used in the production of such goods can be diverted to more immediately important uses.

Such were the explanations given at the occasion of the issuance, at the beginning of June 1940, of an Order restricting domestic supplies of a very large number of articles commonly used.<sup>7</sup> Among these articles were gloves and knitted, netted, and crocheted apparel and other textile goods. Supplies to the home market for each class of goods were restricted, by value, to a maximum of two-thirds of the amounts supplied in the 6 months ending November 30, 1939.<sup>8</sup> This legislation, which as far as certain cotton goods were concerned was supplementary to the restrictions decreed under the Piece Goods and Made-up Goods Order, was later modified and gradually tightened by a reduction in the allowances for home market sales.

More drastic curtailment for cotton goods was soon decided upon. On June 6, 1940, it was announced that the Board of Trade contemplated a reduction from October 1 in the supply for home consumption of cotton piece goods, and of goods made from cotton piece goods, to 25 percent of the quantities sold in the home market in the 6 months ending March 31, 1940. At the end of July 1940 it was announced that the October 1 restrictions would be somewhat less severe than originally contemplated, and on October 1, 1940, they went into effect, with a curtailment to 37½ percent of the new "standard period," October 1, 1939, to March 31, 1940.<sup>9</sup> Finally in February 1941 the Board of Trade announced that a further reduction to 20 percent of the base period in the supply of cotton, linen, and silk goods for domestic consumption would take place on April 1, 1941.

<sup>6</sup> Dated April 12, 1940.

<sup>7</sup> The Limitation of Supplies (Miscellaneous) Order 1940. This Order was later supplemented by a number of further decrees.

<sup>8</sup> For the period June 6, 1940, to November 30, 1940.

<sup>9</sup> Limitation of Supplies (Woven Textiles) Order 1940, of September 30, 1940, superseding the previously mentioned Piece Goods and Made-up Goods Order.

## COORDINATED CONTROL MEASURES

## Cotton Industry Act, 1940

A war-period substitute for the suspended Cotton Industry (Reorganization) Act, 1939, was enacted on March 14, 1940, as the Cotton Industry Act (1940). It gave statutory authority to the Cotton Board, with some minor changes in its constitution as compared with the set-up of September 17, 1939. The Board's functions as defined in the Act were to advise upon such questions relating to the cotton industry as may be referred to the Board by any Government Department and, above all, to perform certain services for the benefit of the industry - in particular, its export trade. These services include research, experiments, and investigations relating to the manufacture and consumption of products of the industry, or financial assistance for such purposes; collection and publication of statistics and other information relating to the industry; and negotiation with any person in matters affecting the industry.

At the same time the Act provided for a levy on raw cotton from which to defray the Cotton Board's administrative expenses and to finance the activities of the Empire Cotton Growing Corporation, technical research, and research into overseas market conditions to promote exports of United Kingdom cotton goods. The levy, imposed on raw cotton purchased for spinning in the United Kingdom, was fixed at a rate of 25 pence per bale of 500 pounds gross, compared to a levy of 1 penny per bale from 1928 to 1940 and used exclusively for Empire cotton growing research. The levy for the latter purpose was not increased by the new Act, since of the total of 25 pence per bale only 1 penny per bale must be paid by the Cotton Board to the Empire Cotton Growing Corporation.

## British Overseas Cottons, Limited

From the beginning of the war the authorities realized that the maintenance of cotton textile exports is an important wartime task of general economic as well as industrial policy. Actually, however, little was done to stimulate such exports. It is true that priorities gave second preference to export orders; that an Export Council with executive powers to organize and promote British exports was formed with the intention of making barter arrangements to exploit the bargaining power of the vast British import requirements; and that the Cotton Board's work was partly concerned with guiding the work of the "export group" for the cotton textile industry formed under the Export Council and with exploring the possibilities of overseas business and promoting export market research. Though useful, however, these efforts did not solve the problem. Over and over again the industry urged the Government to organize, or help the industry to organize, a system of export subsidies, differentiated according to market to take account of special regional requirements. The Board of Trade remained hostile to all such too inclusive plans. The only important step taken toward a more effective export organization was the formation of the British Overseas Cottons, Limited. This new company, with headquarters at Manchester, was formed late in July 1940 for the purpose of assisting in the promotion of Lancashire's export trade in cotton goods.

According to the registration list the company was "to enter into and to carry out arrangements which, by the Defense (Encouragement of Exports) Regulations,



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the Board of Trade is empowered to make relating to the promotion and financing of the export trade of the cotton industry of the United Kingdom."<sup>10</sup> The company's function is to obtain and execute export orders which individual firms or private export syndicates are unable to handle. The company works in cooperation with the Cotton Controller and the Cotton Board and therefore has certain advantages regarding availability of machinery, labor, raw material, market information, and other essentials for successful trading.

The official plans for the company were completed by an Order imposing a further levy of 25 pence per bale, from August 1, 1940, on all raw cotton purchased by spinners in the Lancashire industry. Of the funds accruing from the total levy of 50 pence per bale, one-half continued to be available for the general purposes of the Cotton Board, as provided for in the Cotton Industry Act of 1940 (see p. 198), the other half (probably from £200,000 to £300,000) were to go to the new company "to enable it to perform the services required of it." With these funds at its disposal the company should not be hampered by inability to experiment, to sustain occasional losses, or even to acquire machinery for special purposes; and it was expected to pursue a "bold policy."<sup>11</sup>

So far there has been no evidence of outright British export subsidies for cotton goods, but it is clear that machinery for their possible introduction has been provided for, notably by the formation of the British Overseas Cottons, Limited. Under the conditions with which the United Kingdom is now faced, it may become unavoidable to resort to a policy of subsidizing general exports. If this necessity arises, there will, of course, be no hesitation on the part of the Government to take the necessary measures. The preservation of a reasonable balance between payments to and receipts from foreign countries is so essential to the British war effort that no consideration of principles of foreign trade policy advocated in peacetime could reasonably be expected to influence the British Government's decisions in this respect.

Although it has not so far been reported that the British Overseas Cottons, Limited, has taken over a substantial share of Lancashire's export business, it is conceivable that this step will be taken in the near future (see p. 204).

### Regulation of Cotton Goods Prices

Retail prices of a long list of articles in common use were controlled from January 1, 1940, and particularly since June 10, 1940, under general price legislation, the Prices of Goods Act of November 16, 1939, and subsequent Orders. The great number of price-regulated articles includes all kinds of clothing and household textiles made of cotton. For these price-regulated goods only "permitted increases" over their prices on August 21, 1939, are allowed. Permitted increases are those reasonably justified as a result of subsequent changes in the business; that is, increases in costs, including overhead. Apart from such general provisions permitted increases have been expressly specified in a number of orders relating to branded goods. These specifications were made at the instance of the manufacturers of the articles concerned.

<sup>10</sup> Quotation cited in *Manchester Guardian*, July 31, 1940.

<sup>11</sup> *Manchester Guardian*, August 1, 1940.



Price control on the basis of this legislation, it should be noted, though directly relating to retail goods only, appears to be rather inclusive in principle. It extends to wholesale prices as well, since the same limitations on price increases are made to apply to all the more important classes of materials used in the manufacture of the price-regulated goods. To the extent, however, that prices of materials are already directly fixed or otherwise controlled under Orders passed under the Emergency Powers Defense Regulations (for example, cotton yarns through fixation of spinner margins; see p. 196), they do not fall under price regulation under the Prices of Goods Act. Goods intended for export are also exempted. The Act further prohibits the holding back of stocks of price-regulated goods.

### Regulation of Raw Cotton Prices

Except for a temporary stringent regulation of futures prices at the outbreak of war, cotton for a long time remained free from drastic price control. Prices of raw cotton at Liverpool advanced sharply at the beginning of September 1939. From September 5 the directors of the Liverpool Cotton Association placed limits on trading in all futures contracts at 25 points above and 50 points below the closing quotations of September 4, a procedure which, as a result of the immediate price advance to the upper limit, operated to establish maximum prices for a few days.

From September 11, 1939, the limits on price fluctuations for American cotton were changed to 25 penny points (50 points for Egyptian) up or down on the previous day's close; and from October 10, 1939, the fluctuation limits were widened to 50 points on the previous close. These changes, in combination with an improved supply situation, restored the market to normal; nominal quotations disappeared, since daily fluctuations did not reach the limits allowed.

There were at times substantial movements, in the Liverpool market, both upward and downward, but for months no authoritative interference in the unchecked trends of raw cotton prices seems to have been called for. It was not until the latter part of May 1940 that the authorities found it necessary to intervene in the market. Operations at Liverpool during most of May had been under the influence of war developments. The closing of the Alexandria futures market at the beginning of May deprived many holders of actual cotton of their ordinary hedge, and alternative hedge selling was directed to both the Egyptian and the American futures market at Liverpool. Thus reinforced hedge selling at Liverpool, coinciding with a lack of trade support, started a decline that was accentuated by speculative stoploss liquidation. After the invasion of the Low Countries, Liverpool American futures declined by about 1 penny per pound, the fall on three successive days reaching the limit of 25 points on the previous day's close.

As a result of these developments the Liverpool Cotton Association decided to close the futures market from May 20. Trading was again permitted from May 28, 1940, but only at prices fixed at May 16 levels, which were 25 points above the lows reached on the last day of previous trading - May 17. On June 13 the Association released futures trading at Liverpool from fixed prices, but the May 17 quotations were established as minima, and daily fluctuations were again limited to 25 points for American and 50 points for Egyptian above or below the closing prices of the previous day. Since that time these minima have remained in effect.

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As the 1940-41 season opened, the United Kingdom faced intensified warfare and the prospect of a much increased war effort and sacrifice. Reduced allotment of freight space for cotton, shipping losses, and the general war situation created an atmosphere in which a renewed advance in raw cotton prices threatened to get out of hand. As a result on September 25, 1940, the Directors of the Liverpool Cotton Association closed the market for the next three business days. On September 30 the Cotton Controller announced his decision to fix maximum prices for American and Egyptian cottons, both futures and spot quotations. From October 1, 1940, maximum prices were fixed at the closing quotations for futures and at official spot quotations as recorded in the *Daily Report* of the Liverpool Cotton Association for September 24, 1940. Subsequently, maximum prices for American futures were changed repeatedly, while maximum spot quotations were kept at September 24 levels until December 2.<sup>12</sup> Minimum price regulation as established on June 13, 1940, remained in force.

On October 7, 1940, the Directors of the Liverpool Cotton Association announced the transfer of all open Liverpool contracts in American futures to March, and in Egyptian to January, at differences ruling at the close of business on October 4, 1940. Futures trading was to be confined to one month - March for American, January for Egyptian - until a new emergency contract was established. This contract was introduced on December 2, 1940,<sup>13</sup> and made all outstanding futures contracts under Liverpool rules subject to its terms, effective the same day. The "official values" of futures - for 12 delivery months, instead of 1 as under the temporary control scheme in effect since October 7 - were henceforth to be based on spot prices in three United States markets (for American) and in Alexandria (for Egyptian), plus the cost of importing the cotton. Merchanting profit, also included in the added charges, was fixed at 5 percent.

It is at these "official values" of the futures that outstanding contracts were liquidated on the last market day of the respective current month. The buyer could not demand tender, and the seller had the right to close out his commitment at the official value on the last trading day of the current month. Therefore, although actual futures prices were not technically fixed, they were controlled within narrow limits by the official values at which liquidation could ultimately be enforced. Since the official values - based as they were on free overseas markets plus importing costs - were subject to changes as overseas prices and importing costs changed, there was still some room for limited anticipatory movements in actual futures quotations.

The new emergency futures contracts made provision for adjusting former practice so as to meet the wartime need for a dispersal of raw material stocks. Cotton could now be tendered at points other than Liverpool; for example, ex certified warehouse Manchester or Salford, "or from other suitable places of storage within a radius of 20 miles of Bolton or Oldham." Sellers had to pay specified allowances to buyers in the case of tender at points other than Liverpool.

<sup>12</sup> See also p. 202. Maximum "bases" for American and Egyptian were announced on November 11, 1940, following a preliminary regulation on November 4 to the effect that the "bases" for all growths and qualities should not exceed those quoted on November 4. After November 11 these spot "bases," which temporarily referred to the only permitted trading month (normally they were quoted in reference to the current month), were changed repeatedly. They were re-based on "current month" futures in December 1940, following the adoption of the emergency contract.

<sup>13</sup> Control of the Cotton Industry (No. 13) Order.



Simultaneously with the introduction of the new emergency contracts the spot price maxima of September 24 were revoked,<sup>14</sup> but spot prices continued to be controlled in the form of maximum "bases," currently fixed by a committee of the Liverpool Cotton Association under the Cotton Controller's supervision. Official maximum spot prices henceforth represented the highest permissible "bases" on American and Egyptian current month futures (see footnote 12, p. 201).

#### OTHER MEASURES

It is hardly possible to give a complete account of all the measures taken by the authorities under economic emergency powers acquired since the outbreak of war. A few of those not otherwise mentioned should, however, be cited briefly.

Most important among these measures is the cotton import policy of the British Government. The authorities realized at an early stage of the war that the bargaining power of British import requirements could and should be used deliberately in promotion of British exports. It was further recognized that it would be necessary, for political reasons and for reasons of shipping and currency policy, to discriminate in the country's purchases from abroad; to favor certain Empire, Allied, or other foreign areas at the expense of the remaining potential suppliers. Measures taken in this direction, however, were slow and gradual.

Following the cotton-rubber exchange deal of June 1939 between the United States and the United Kingdom, the British Government in 1940-41 proceeded with some bulk purchases of Egyptian, South American, and Turkish cottons. Only in the case of Egypt, however, did the quantities involved approach those of the cotton-rubber deal. An undertaking was given to purchase the surplus, not otherwise disposed of, from the 1939 Egyptian crop, and under an agreement of July 1940 the British Government agreed to buy, at specified prices, any or all of the 1940 Egyptian crop. More recently it was indicated that for important reasons of general policy the Government may be compelled to buy more cotton from other producing countries, notably Empire and Allied colonial sources, than it may choose to import.

Concurrently with this development, American cotton since the spring of 1940 declined in importance in total British buying and imports. Shipping space quotas, allocated since January 1940, were gradually being reduced. From May 30, 1940, the importation of raw cotton was subject to special licenses, and the open general licence granted applied only to cotton from the British Empire, Egypt, and British and French possessions or mandated territories. From January 13, 1941, the Board of Trade revoked even this limited open license. The utilization by mills of all cottons except Empire, Egyptian, and some other growths, was also subjected to license permits,<sup>15</sup> and the exemptions were revoked effective February 5, 1941.<sup>16</sup> With the monopolization of all raw cotton imports from April 1, 1941, full and independent control power was acquired by the Government, so that the minor and sectional measures of regulation may now be dispensed with.

<sup>14</sup> Control of the Cotton Industry (No. 14) Order.

<sup>15</sup> Control of the Cotton Industry (No. 11) Order, dated Oct. 8, 1940, and Direction No. 1 issued under this order.

<sup>16</sup> Control of the Cotton Industry (No. 16) Order, dated Jan. 31, 1941, and Direction No. 2, revoking No. 1.



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Import and export licenses and prohibitions relating to a great number of articles, including raw cotton, cotton goods, and yarns, have also been gradually established since the outbreak of war. These measures either referred to trade with particular countries or were in general to restrict or eliminate imports of manufactured articles and exports of raw materials, while allowing the importation of raw materials and semi-manufactures, such as yarns. Significant of the powers of supervision acquired by the Cotton Controller at an early stage in the war is the Control of the Cotton Industry (No. 7) Order issued on April 16, 1940. The Order established the authority of the Minister of Supply (later delegated to the Cotton Controller) to obtain business information from any person using or holding stocks of raw cotton, cotton linters, and cotton waste. The object of this Order was to facilitate the collection from time to time of all necessary information relating to the supply position.

### TOTAL CONTROL

Although the control steps so far described represent in their entirety a rather inclusive regimentation, the total and comprehensive type of control was still to come. The British Government's import program for raw cotton during the second year of war had envisaged a drastic curtailment of imports. Raw cotton imports in 1940-41 will be less than half the quantity imported in 1939-40.<sup>17</sup> The shipping situation is such as to necessitate a severe reduction of cotton consumption for domestic civilian purposes, even apart from the fact that the conditions of the war-time economy urgently require an all-round curtailment of nonessential consumption. At the same time, it is more than ever necessary for Britain to subordinate its import policy to the economic and political requirements of the war situation. Only a monopolization of imports under Government authority is capable of dealing with such conditions.

Consequently, it was announced, on February 14, 1941, that the Government in the United Kingdom had decided to become the sole importer and distributor of raw cotton, effective April 1. The Liverpool and Manchester Cotton Associations accepted the Government's proposal for the formation of a company composed of members of the two associations, to act as agents for acquiring cotton on government account in any part of the world, and to arrange distribution to spinners in the United Kingdom. In this limited way the trade will still be in a position to participate in a reduced volume of cotton imports and, perhaps, to preserve its business organization for possible modified revival after the war. With a government import and trading monopoly in raw cotton, the functions of the Liverpool spot and futures markets became illusory, and the markets were therefore closed on March 31, 1941. All stocks of cotton on hand at that date, other than mill stocks, were requisitioned by the Ministry of Supply, and cotton as well as yarn prices were frozen at the official maximum levels of March 31.

The Government further decided to concentrate cotton textile production in the most efficient mills, at the same time curtailing to a minimum the production of goods for the home market.<sup>18</sup> As a preliminary step to such reorganization and

<sup>17</sup> Statement by the Cotton Controller released February 26, 1941.

<sup>18</sup> To 20 percent of the base period; see also page 197.

curtailment, licenses greatly restricting the use of raw cotton were issued to spinners at the end of February. Since the problem of adequate labor supply for war industries and other vital producing branches has become more urgent, a closing of surplus factories in the textile industry will also make possible a transfer of labor and perhaps even of plant facilities to more essential war production. It is estimated that from one-third to one-half of Lancashire's mill capacity will be shut down as a result of these measures. Some compensation will be paid to the factories closed, whereas the workers are expected to get alternative employment through transfers to vital war production.

As a corollary to the government's monopolization of raw material imports, export sales of cotton textile goods in the future may be concentrated largely in the hands of the government-sponsored and -organized export company, the British Overseas Cottons, Limited. A centralized and comprehensive regulation of prices and price-spreads throughout the industry is also expected, and will complete and complement the measures taken to date.



## GRAIN EXPORTS FROM THE SOVIET UNION . . . . .

By Lazar Volin\*

*The problem of grain exports from the Soviet Union has been attracting considerable interest as a significant factor in the present European food situation. Before the war of 1914-1918 Russia was the granary of Europe, but subsequently her exports have greatly declined. The experience of the past two decades seems to indicate that Soviet exports of food and feed grains will not exceed 2 to 3 million short tons. A lower figure appears to be more probable. Political considerations, however, may dictate larger exports than are normally warranted, or may reduce them to a vanishing point.*

The new Russo-German trade agreement of January 10, 1941, provided, as did apparently the preceding trade agreements of 1940, for delivery of grain to Germany by the Soviet Union, although no particulars were divulged as to the quantities and kinds. The trade agreement of the Soviet Union with Switzerland concluded on February 24, 1941, likewise called for shipment of grain, and negotiations to this effect with Belgium were also reported.

These recent trade negotiations serve to underline the fact that the Soviet Union is one of the two important surplus-producing areas (the other being the Danubian Basin) from which grain supplies may continue to flow to Germany and the occupied countries of continental Europe under blockade conditions. The extent to which Russian supplies may be forthcoming, therefore, has a significant bearing on the food situation in continental Europe.

Obviously the volume of such deliveries will depend first of all on the degree to which the Soviet Government will cooperate with Germany, a factor which in turn is likely to be affected by shifting political and military considerations as well as by the ability of Germany and countries within the German orbit to supply the Soviet Union with needed industrial goods. All these conditions, however, are shrouded in the greatest uncertainty, a fact that tends to make any assessment of the role of the Soviet Union highly speculative. But since Russia has long been an exporter of grain, some clues are available as to what its capacity (as distinguished from its policy) may be in this respect. A brief historical review, therefore, of the salient aspects of the Russian grain export situation may be useful.

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## EXPORTS OF GRAINS FROM THE SOVIET UNION, 1904-37



U. S. DEPARTMENT OF AGRICULTURE

NEG. 39049 OFFICE OF FOREIGN AGRICULTURAL RELATIONS

Figure 1.



## PRE-WORLD-WAR PHASE

It will be recalled that prior to the war of 1914-1918 Russia was the world's foremost exporter of small grains, serving as a veritable granary for the industrial countries of Western Europe. It is true that the five years immediately preceding the World War, which are ordinarily used for comparisons, were somewhat exceptional. There was only one year of crop failure, in 1911, whereas good or bumper crops were harvested in other years with consequent unusually large exports, which were also favored by the rising world price level. But during the preceding 5-year period, 1904-05 to 1908-09, in spite of several poor crops, Russia still led in grain exports.

Of the five export grains, *wheat* has always been the most important. Before 1914 it comprised over 40 percent of the total grain tonnage shipped, and Russia occupied first place among wheat exporting countries of the world (fig. 1; tables 2 and 3, pp. 213-214). Next in importance was *barley*, which forged ahead rapidly during the decade preceding the war of 1914-1918 and accounted for over one-third of the total Russian grain exports during 1909-10 to 1913-14. Large as it loomed in Russian export trade, it occupied an even more commanding position in the world barley trade, where it far exceeded the exports of all other countries. The exports of *oats* were much below those of barley, but in the case of this grain also Russia played a predominant role on the international market.

Although Russia was still a leading exporter of rye during the years preceding the World War, these exports, unlike those of other grains, were declining. Whereas in the 1880's rye was second in importance among Russian export grains, accounting for over a fourth of aggregate exports, during the five years preceding the World War<sup>1</sup> it was relegated to fourth place and constituted less than 10 percent of the total. In the case of corn the Russian contribution to international trade was much less significant, ranking after Argentina, Rumania, and the United States, although corn exports too showed a substantial increase during the five years preceding the World War. In addition to grains, Russia during 1909-1913 exported 800,000 short tons of mill offals and over 400,000 tons of dry legumes (peas, lentils, and beans), which in Russian statistics are frequently classified with grain.

## POST-WORLD-WAR PHASE

The war of 1914-1918 changed the whole complexion of the Russian export situation. Russian grain disappeared from the world market for the duration of the war and the ensuing revolution. However, it was widely believed that with the return of peace and economic recovery in the twenties, under the regime of the New Economic Policy, Soviet Russia would again be restored to her leading position in the world grain market. These expectations, however, proved groundless. Exports were resumed on a sizable scale in 1923-24, but because of the crop failure in 1924 they dwindled to insignificant proportions during the following season. Once more shipments were started in 1925-26 and continued in 1926-27, only to lapse during the subsequent two years.

<sup>1</sup> During this period Russia exported 34 million bushels of rye and imported some 5 million bushels from Germany, which stimulated exports of rye through a system of import certificates. See Jasny, N., *Competition Among Grains*, p. 516, Stanford University, 1940; *World Trade Barriers in Relation to American Agriculture*, p. 381, Senate Document No. 70, 73d Congress, First Session, 1933.

Even during the best years of the twenties exports did not exceed 2.7 to 2.8 million short tons, as compared with 6.7 million tons during the poorest season (1907-08) of the pre-World-War decade.

A sharp reversal in the export situation was manifested at the beginning of the thirties. With a bumper crop in 1930, large quantities of grain, particularly wheat, were thrown on the world market, aggravating the depression from which world agriculture had already been suffering severely. The fact that these heavy exports coincided with the wholesale collectivization of Russian peasant agriculture, organization of huge state farms, and introduction of tractors, lent a far more impressive and enduring air of renaissance to this appearance of the Soviet Union on the world grain market than to its former efforts in the twenties. But the specter of low-cost Russian grain continuously flooding the world market failed again to materialize.

After two seasons of substantial shipments in 1930-31 and 1931-32, exports declined sharply during the following year. In the meantime the Soviet countryside was suffering from the effects of a terrible but little-publicized famine.<sup>2</sup> A new spurt in exports occurred in 1933-34 following a good 1933 crop, although it was far below the level of the beginning of the decade when shipments reached their high watermark. During the next year, with a serious drought damaging the crop in a number of regions, the Soviet Union again practically disappeared from the world grain market. The same alternating pattern was followed during the subsequent period. A good crop (as in 1935) led to exports, whereas a poor crop (as in 1936) resulted in drastic curtailment or practical cessation of exports. The only exception was the year 1938-39, when in spite of a damaging drought exports continued. In the thirties, as in the twenties, exports never reached the level of even the poorest year of the pre-1914 decade. Altogether, during the ten years ended in June 1938, about 20 million short tons were exported, as compared with over 100 million during the decade ended in June 1914. It is significant that whereas during 1909-1913 grain accounted for over 40 percent of the total value of Russian exports, its share constituted only 13 percent during 1929-1932 (the period of the first 5-year plan) and dropped to 9 percent during 1933-1937 (the second 5-year plan).

It is evident, then, that Russian grain exports during the past two decades were on a much smaller scale than before the World War and that they practically vanished during poor crop years. In this connection it is worth noting that except for Bessarabia Soviet Russia retained its surplus-producing area practically intact after the World War. Moreover, the total ceded territory was as a whole deficit with respect to grain, which was shipped from the interior of Russia and was not included in official export statistics. Hence grain export surpluses of the territory of the Soviet Union,<sup>3</sup> as distinguished from the former Russian Empire, were actually larger before the World War than was apparent from Russian export statistics.<sup>4</sup>

The Soviet Union has in most years imported small quantities of wheat for the needs of its deficit Asiatic regions, which are separated by a long railway haul from

<sup>2</sup> For the best account of this famine, see Chamberlin, W. H., *Russia's Iron Age*, p. 82, Boston, 1934.

<sup>3</sup> The territory of the Soviet Union considered here does not include the regions occupied since the beginning of the European war in 1939.

<sup>4</sup> Groman, V. G., "Grain Production and Exports from the U.S.S.R.," *Encyclopedia of Soviet Exports*, vol. 1, ed. 2, 1928 (in Russian).



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the surplus grain regions. Even during the two years of highest imports (1932 and 1938) of the decade ending in 1938 these imports did not reach 5 million bushels and during most of the years were much less. Imports of wheat including flour during 1929 to 1938 are shown in the following tabulation:

1,000 bushels

|            |       |
|------------|-------|
| 1929 ..... | 786   |
| 1930 ..... | 253   |
| 1931 ..... | 0     |
| 1932 ..... | 4,816 |
| 1933 ..... | 249   |
| 1934 ..... | 1,650 |
| 1935 ..... | 1,221 |
| 1936 ..... | 633   |
| 1937 ..... | 78    |
| 1938 ..... | 4,764 |

Wheat exports from the United States to the Soviet Union amounted to 3,606,000 bushels in 1939 and 3,621,000 bushels in 1940. No grain was shipped from the United States in 1938.

#### THE CAUSE OF DECLINING EXPORTS

In the Soviet Union, in which foreign trade was early monopolized by the state,<sup>5</sup> exports are a matter of government decision and not a result of the working of economic forces in the free market, as was the case in pre-war Russia. It is a well-known fact that in the twenties and early thirties the Soviet Government actively fostered large exports of all commodities, even at the expense of much belt-tightening by the Russian people, and without much regard for the cost-price relationship and the state of the world market.<sup>6</sup> The paramount objective was to secure a large supply of foreign exchange to pay for imports essential to the prosecution of the ambitious industrialization program.

In the light of this situation, the inability to ship more grain abroad because of curtailed surpluses seems the most logical explanation of small exports. This thesis finds statistical corroboration in the fact that grain production apparently did not keep pace with the growth of population. Total population within the boundaries of the Soviet Union increased from 138.2 million in 1914 to 170.5 million in 1939, or by 23 percent. Urban population increased from 24.7 million to 55.9 million, or more than doubled. But the area under all grains (including minor kinds) showed only a slight increase. During 1933-1937, when collectivization was an accomplished fact and mechanization made great strides, it averaged about 255 million acres, as compared with 248 to 254 million in 1913.<sup>7</sup> In 1938 it was 253 million acres.

<sup>5</sup> Hoover, Calvin, *The Economic Life of Soviet Russia*, p. 153, New York, 1931.

<sup>6</sup> Such was the position, at any rate, until the more recent years, when Soviet foreign-trading operations were curtailed and the Soviet Union, moreover, became a large gold producer and exporter.

<sup>7</sup> These 1913 figures were estimated by competent Soviet statisticians in the twenties, especially for the purpose of comparison with post-war figures. Recent Soviet statistical publications give a lower figure of 233 million acres for 1913 - which, however, cannot be accepted. See a scholarly analysis by Timoshenko, V. P., *Agricultural Russia and the Wheat Problem*, pp. 162-173, Stanford University, 1932.

It is true that official Soviet publications indicate an increase of 23 percent in yields of all grains during 1933-1937 over those of 1909-1913, which fact, if correct, would have resulted in a substantially larger production in spite of an insignificant increase in acreage. In the first place, however, the pre-war yield figures of 7.4 metric quintals per hectare (11.0 bushels of 60 pounds per acre) used in recent Soviet publications are lower than those formerly found acceptable for such comparisons by statisticians of the Gosplan, namely, 8.5 to 8.7 quintals (12.6 to 12.9 bushels). If the latter figures were used for comparison, an increase of only from 5 to 7 percent would be obtained.

In the second place, the 1933-1937 figures of 9.1 quintals (13.5 bushels) are probably too high and should be scaled downward, because the crop-yield estimating methods employed since 1933 in the Soviet Union have not allowed sufficiently for the large harvesting losses, which reduced the actual "barn" outturn of the crop.<sup>8</sup> If proper adjustments were made, it would probably appear that no increase in grain yields occurred for the country as a whole, though it may be true, as often reported in the Soviet press, that some of the more efficient collective farms achieved very high yields.

Although various factors of domestic and international character have contributed to the decline of Russian grain exports, the lag of production behind the growth of population, especially of urban industrial population - for the feeding of which the government is responsible - must be considered the most formidable obstacle, overshadowing all others. This was especially true during poor crop seasons that frequently occur in the extensive semiarid zone of the Soviet Union, which comprises the bulk of its surplus-producing area.<sup>9</sup> It should be borne in mind that shifts as between individual grains, however important - such as, for instance, displacement of rye by wheat - nevertheless do not change the over-all picture of an insignificant increase in the aggregate grain production, considering the much larger number of mouths to be fed.

#### COMPOSITION AND GEOGRAPHICAL DISTRIBUTION

In their composition the much smaller Russian grain exports of recent years have been still predominantly wheat-barley exports. However, the share of wheat in the aggregate volume increased compared with the pre-war period, and that of barley declined. As compared with about 40 percent prior to 1914, wheat in recent years accounted for nearly half or over half of the total and barley for about one-fourth compared with one-third (table 2). Exports of mill offals, shipped before 1914 primarily to Germany, became sporadic and insignificant. Exports of legumes also greatly declined (table 3).

A significant change must be noted in the destination of Russian grain exports. Prior to 1914, the principal consumers of Russian wheat were Germany and the

<sup>8</sup> Volin, Lazar, "Recent Agricultural Developments in the Soviet Union," *Foreign Agriculture*, p. 22, January 1937. It should be mentioned that government grain procurements are based in part (payments in kind for the services of state machine-tractor stations) on official estimates of crop yields. Crop estimates, therefore, have a direct fiscal significance in the Soviet Union.

<sup>9</sup> Volin, Lazar, "The Effect of the Drought and Purge on Soviet Agriculture," *Foreign Agriculture*, May 1939.



Netherlands,<sup>10</sup> Italy (the chief market for Russian durum wheat for manufacture of macaroni), France, and England. In 1913, for instance, Germany-Netherlands and Italy took 29 percent each, France 15 percent, and England 9 percent. These five countries thus accounted for four-fifths of Russian wheat exports. During the post-war period, however, England came to the fore as the major customer for Russian wheat, taking half or more than half of all exports in such years of large shipments as 1933 and 1935. On the other hand, the one-time leading German-Netherlands and Italian markets were absorbing less grain than the formerly unimportant Greece, which, in fact, had increased her takings of Russian wheat since the pre-1914 period.

An even more striking shift occurred in the case of barley. Before the World War, Germany was the most important outlet for Russian barley, which was given favorable treatment by the German tariff system.<sup>11</sup> In 1913 Germany and the Netherlands accounted for four-fifths of Russian barley exports. In 1933 over 40 percent still went to those countries, but in 1935 they absorbed less than a fourth. On the other hand, England, which in 1913 took less than 10 percent of Russian barley, forged ahead with 41 and 57 percent, respectively, in 1933 and 1935. Thus in recent years Russian grain exports have been increasingly canalized into the British markets, which eclipsed the German and other important pre-war markets. It appears, therefore, that by the 1930's Great Britain had resumed the former position as chief outlet for Russian grain which it held in the earlier history of Russian exports.<sup>12</sup>

The geographical routes followed by Russian grain exports merit some attention, especially at present. In 1913, 84 percent of the total volume of principal grain exports was shipped through Black Sea ports, 11 percent through Baltic ports, and less than 4 percent by land.<sup>13</sup> A small quantity of grain from Siberia was shipped through the White Sea port of Arkhangelsk. With a great reduction in exports and the loss of all the important Baltic ports except Leningrad, concentration of the export movement through the southern ports became still more pronounced after the World War. In fact, the great bulk of the Russian grain exports (and practically all the barley exports) originates in sections of European Russia in proximity to the Black Sea - Ukraine,<sup>14</sup> North Caucasus, and Crimea. This may be seen from the figures of regional distribution of shipments for export shown in table 1.

The closing of the convenient Black Sea-Mediterranean route by the British blockade means that unless the use of the Danubian route is greatly increased, grain must be shipped to Germany largely by land or via the Baltic. In either case the length of railway haul would be considerably increased, involving an additional heavy load on the already overburdened Russian railway system. Still, the recent acquisition

<sup>10</sup> A great deal of the Russian grain shown in Russian statistics as exports to the Netherlands was actually consigned to Germany via Netherlands ports. The two countries, therefore, must be bracketed together in the geographical breakdown on Russian exports.

<sup>11</sup> Jasny, N., *Competition Among Grains*, p. 528, Stanford University, 1940.

<sup>12</sup> Liashchenko, P. I., *Russkoe Zernovoe Khozaistvo v Sisteme Mirovogo Khozaistva* (Russian Grain Farming in the System of World Economy), p. 316, Moscow, 1927.

<sup>13</sup> The reverse relationship between the Baltic and Black Sea ports prevailed during the earlier history of Russian grain exports. In the late 1870's, for instance, about 60 percent of grain was shipped through the Baltic and the western land frontier and less than 40 percent through the Black Sea. See Jurovsky, Leo, *Der Russische Getreideexport; Seine Entwicklung und Organisation*, p. 23, Stuttgart, 1910.

<sup>14</sup> For a description of the agriculture of this important section see Michael, Louis G., "The Soviet Ukraine - Its People and Agriculture," *Foreign Agriculture*, July 1939.

of the Latvian and Estonian Baltic ports, which formerly belonged to Russia and have long been connected by rail with the interior of the country, should facilitate the movement of grain. In 1913, 1.2 million tons of grain, flour, mill offals, and legumes were shipped through the Baltic ports. In addition, 1.4 million tons were shipped over the western land frontier, despite the difference in the gauge of Russian railways and those of her neighbors.

TABLE 1.—Share of southern regions in Soviet shipments of grain for export, average 1930-31 to 1934-35

| REGION                       | WHEAT   | BARLEY  | ALL GRAINS |
|------------------------------|---------|---------|------------|
|                              | Percent | Percent | Percent    |
| Ukraine .....                | 50.7    | 74.9    | 51.6       |
| North Caucasus .....         | 25.8    | 19.4    | 21.4       |
| Crimea .....                 | 7.3     | 4.2     | 4.5        |
| Total southern regions ..... | 83.8    | 98.5    | 77.5       |

Statistical Handbook of World Grain Trade, Moscow, 1936 (in Russian).

## OUTLOOK

On the basis of experience during the past two decades, there seems to be no reason, apart from political considerations, to expect that exports of food and feed grains from the Soviet Union will be in excess of 2 to 3 million short tons annually within the next few years, with a lower figure appearing to be more probable. These figures are predicated on the forthcoming of needed industrial goods from Germany and the absence of a serious crop failure in the Soviet Union. Moreover, increased domestic requirements due to mobilization and the necessity under the present conditions to build up additional emergency stocks against crop failure would normally also militate against extensive exports. It is symptomatic in this connection that prices of rye bread and the cheaper type of wheat bread consumed by the mass of the population were increased in October 1940 for the first time since 1935, in spite of an apparently better crop than during the preceding two years. As for the territories occupied by the Soviet Union on its western frontier since the beginning of the war in 1939, they are not likely, on the whole, to provide any significant surpluses for export, especially with the break-up of larger holdings.

Still, it should not be overlooked that exigencies of government policy may dictate larger exports than are normally warranted, or may reduce them to a vanishing point. Government policy will certainly determine the destination of Soviet grain exports. Not all of the grain shipped abroad may go to the Axis powers. But even if no more than 1 million tons of Russian grain were to be shipped to Germany, this quantity would cover more than a third of German peacetime requirements for imported food and feed grains.

TABLE 2.—Exports from the Soviet Union of specified grains and flour,  
1904-05 to 1937-38

| JULY 1 TO JUNE 30           | WHEAT,<br>INCLUDING<br>FLOUR | RYE,<br>INCLUDING<br>FLOUR | BARLEY                 | OATS                   | CORN                   | TOTAL<br>GRAIN AND<br>FLOUR |
|-----------------------------|------------------------------|----------------------------|------------------------|------------------------|------------------------|-----------------------------|
|                             | : Million<br>: bushels       | : Million<br>: bushels     | : Million<br>: bushels | : Million<br>: bushels | : Million<br>: bushels | : Thousand<br>: short tons  |
| Annual:                     |                              |                            |                        |                        |                        |                             |
| 1904-05 .....               | 190.7                        | 47.1                       | 110.5                  | 120.5                  | 9.2                    | 11,874                      |
| 1905-06 .....               | 169.9                        | 47.0                       | 107.3                  | 109.9                  | 7.8                    | 10,962                      |
| 1906-07 .....               | 102.6                        | 42.7                       | 98.3                   | 44.7                   | 26.8                   | 8,095                       |
| 1907-08 .....               | 67.1                         | 38.0                       | 106.1                  | 30.2                   | 31.6                   | 6,693                       |
| 1908-09 .....               | 96.4                         | 18.8                       | 150.8                  | 58.1                   | 25.9                   | 8,693                       |
| Avg. 1904-05 to 1908-09 ... | 125.3                        | 38.7                       | 114.6                  | 72.7                   | 20.3                   | 9,323                       |
| Annual:                     |                              |                            |                        |                        |                        |                             |
| 1909-10 .....               | 233.9                        | 31.6                       | 171.1                  | 84.0                   | 19.8                   | 13,907                      |
| 1910-11 .....               | 233.6                        | 53.0                       | 198.8                  | 112.6                  | 37.8                   | 16,123                      |
| 1911-12 .....               | 83.7                         | 23.8                       | 146.2                  | 64.4                   | 44.9                   | 8,975                       |
| 1912-13 .....               | 106.6                        | 26.5                       | 144.8                  | 53.3                   | 19.0                   | 8,800                       |
| 1913-14 .....               | 170.7                        | 37.4                       | 203.3                  | 39.6                   | 20.7                   | 12,261                      |
| Avg. 1909-10 to 1913-14 ... | 165.7                        | 34.5                       | 172.9                  | 70.8                   | 28.4                   | 12,013                      |
| Annual:                     |                              |                            |                        |                        |                        |                             |
| 1914-15 .....               | 14.1                         | 10.0                       | 15.1                   | 5.8                    | 1.8                    | 1,212                       |
| 1915-16 .....               | 12.8                         | 12.6                       | 0.3                    | (1)                    | 0.1                    | 747                         |
| 1916-17 .....               | 10.1                         | 8.2                        | 0.1                    | (1)                    | 0.1                    | 539                         |
| 1922-23 .....               | 0.6                          | 16.9                       | 3.3                    | 1.8                    | 0.4                    | 608                         |
| 1923-24 .....               | 21.4                         | 53.8                       | 14.1                   | 0.7                    | 5.3                    | 2,790                       |
| 1924-25 .....               | 0.4                          | 2.7                        | 3.3                    | 0.2                    | 6.9                    | 360                         |
| 1925-26 .....               | 26.6                         | 7.2                        | 36.2                   | 1.4                    | 7.5                    | 2,101                       |
| 1926-27 .....               | 49.3                         | 16.7                       | 20.5                   | 3.7                    | 8.2                    | 2,726                       |
| 1927-28 .....               | 5.4                          | 6.0                        | 1.4                    | 3.3                    | 1.0                    | 443                         |
| 1928-29 .....               | (1)                          | (1)                        | 0.0                    | (1)                    | 0.0                    | (2)                         |
| Avg. 1924-25 to 1928-29 ... | 16.3                         | 6.5                        | 12.3                   | 1.7                    | 4.7                    | 1,126                       |
| Annual:                     |                              |                            |                        |                        |                        |                             |
| 1929-30 .....               | 8.7                          | 7.2                        | 24.0                   | 4.3                    | 1.4                    | 1,142                       |
| 1930-31 .....               | 111.8                        | 29.1                       | 49.8                   | 33.8                   | 2.5                    | 5,972                       |
| 1931-32 .....               | 71.8                         | 43.3                       | 37.5                   | 14.6                   | 10.9                   | 4,806                       |
| 1932-33 .....               | 19.7                         | 9.6                        | 16.6                   | 1.7                    | 8.5                    | 1,519                       |
| 1933-34 .....               | 33.8                         | 5.8                        | 25.9                   | 8.7                    | 5.1                    | 2,080                       |
| Avg. 1929-30 to 1933-34 ... | 49.1                         | 19.0                       | 30.8                   | 12.6                   | 5.7                    | 3,104                       |
| Annual:                     |                              |                            |                        |                        |                        |                             |
| 1934-35 .....               | 4.3                          | 1.2                        | 6.6                    | 9.1                    | (1)                    | 470                         |
| 1935-36 .....               | 29.7                         | 2.8                        | 29.2                   | 10.4                   | 0.3                    | 1,845                       |
| 1936-37 .....               | 4.5                          | 4.2                        | 1.7                    | 0.4                    | 0.0                    | 301                         |
| 1937-38 .....               | 43.3                         | 12.8                       | 10.9                   | 0.2                    | 0.0                    | 1,923                       |
| Avg. 1934-35 to 1937-38 ... | 20.4                         | 5.2                        | 12.1                   | 5.0                    | (3)                    | 1,135                       |
| PERCENTAGE OF TOTAL         |                              |                            |                        |                        |                        |                             |
|                             | : Percent                    | : Percent                  | : Percent              | : Percent              | : Percent              | : Percent                   |
| Average:                    |                              |                            |                        |                        |                        |                             |
| 1904-05 to 1908-09 .....    | 40.3                         | 11.6                       | 29.5                   | 12.5                   | 6.1                    | 100.0                       |
| 1909-10 to 1913-14 .....    | 41.4                         | 8.1                        | 34.5                   | 9.4                    | 6.6                    | 100.0                       |
| 1924-25 to 1928-29 .....    | 43.4                         | 16.2                       | 26.3                   | 2.4                    | 11.7                   | 100.0                       |
| 1929-30 to 1933-34 .....    | 47.5                         | 17.1                       | 23.8                   | 6.5                    | 5.1                    | 100.0                       |
| 1934-35 to 1937-38 .....    | 53.9                         | 12.8                       | 25.6                   | 7.0                    | 0.7                    | 100.0                       |

1 Less than 50,000 bushels.

2 Less than 500 tons.

3 Less than 100,000 bushels.

Compiled from official sources. 1904-1905 to 1916-1917 and 1925-1926 to 1928-1929 exports over European frontier including the Caucasian ports of the Black Sea; other years, all frontiers.



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TABLE 3.—Exports from the Soviet Union of specified grains, mill offal, and dry legumes, average 1909-1913 and 1929-1938<sup>1</sup>

YEAR	WHEAT, INCLUDING FLOUR	RYE, INCLUDING FLOUR	BARLEY	OATS	CORN AND CORNMEAL	MILL OFFAL	DRY LEGUMES <sup>2</sup>
	: Million : : bushels :	: Million : : bushels :	: Million : : bushels :	: Million : : bushels :	: Million : : bushels :	: Short : : tons :	: Thousand : : short tons :
Average	:	:	:	:	:	:	:
1909-1913 .....	161.8	33.5	170.8	75.0	30.0	814	407.9
	:	:	:	:	:	:	:
1929 .....	0.0	(3)	7.3	.5	.4	316	90.4
1930 .....	93.8	25.4	54.3	24.3	2.1	0	85.1
1931 .....	93.3	43.7	44.3	26.7	3.8	2,307	134.5
1932 .....	21.8	16.6	19.4	1.2	12.2	20,148	94.5
1933 .....	29.1	6.2	26.0	5.8	4.9	8,169	88.0
1934 .....	10.4	3.9	8.3	9.7	5.0	52,342	88.8
1935 .....	28.0	1.7	27.0	10.8	.4	2,912	86.3
1936 .....	5.0	4.2	4.8	3.6	0.0	0	77.8
1937 .....	34.0	8.1	10.1	.4	0.0	0	28.9
1938 .....	49.4	14.1	18.7	.2	1.5	58,044	145.0
	:	:	:	:	:	:	:

<sup>1</sup> No official Soviet statistics on exports are available for subsequent years.<sup>2</sup> Peas, lentils, and beans.<sup>3</sup> Less than 50,000 bushels.

Compiled from official sources.



